Exploring an Inclusive Islamic Financial Planning Framework in Brunei Darussalam

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EXPLORING AN INCLUSIVE ISLAMIC FINANCIAL PLANNING FRAMEWORK IN BRUNEI DARUSSALAM

By: AK MD HASNOL ALWEE PG MD SALLEH

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ABSTRACT

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Ak Md Hasnol Alwee Pg Md Salleh

The 1970s has witnessed two novel developments in the realm of personal finance and Islamic finance. Within personal finance, the decade saw a growth in the demand for financial planning, moving from a sector that prior to the 1970s catered exclusively to the wealthy, to one that provides services to the middle-income class. In the field of Islamic finance, the decade is remembered for the establishment of the first Islamic bank and *takaful* (insurance) company that laid the foundations of an industry that is now reported to be a trillion dollar industry. This study is designed to explore if Islamic financial planning, which falls within the purview of Islamic finance, can be developed further to include those with low incomes and in poverty. The aim of this study is to examine the needs of the poor and non-poor households in order to identify, describe and establish an inclusive Islamic Financial Planning (IFP) framework for both groups in Brunei Darussalam. This suggested framework integrates historical institutions such as *zakat* and *awqaf*, with contemporary financial concepts and approaches such as financial exclusion and financial planning.

In order to achieve the research aim, primary data was collected using structured interviews/questionnaire-based surveys and semi-structured interviews. The former, quantitative method, involved interviews with 431 Muslim heads of households in the Brunei-Muara district, composed of 216 non-welfare recipients (non-poor or net surplus households) and 215 welfare recipients (poor or net deficit households). The data was analysed using statistical techniques, which include Pearson's chi-square test and logistic regression. Meanwhile, the qualitative information gathered from semi-structured interviews with 39 net deficit respondents was coded and reported.

The findings of the study display a hierarchical form of financial planning, for the poor and non-poor in Brunei. For net deficit households, the hierarchical structure involves moving individuals from the bottom of the hierarchy, that is the money management level, to emergency planning, and finally to the top of the hierarchy, that is investing for goals. For net surplus households, their role relates to the supply-side of the inclusive IFP framework, whereby they provide funds necessary in the form of *zakat* and *awqaf* to implement the approaches associated with money management, emergency planning and investing for goals.

The study also found instances of financial exclusion in Brunei for net deficit respondents in opening bank accounts and accessing credit facilities. In terms of financial planning practices and financial knowledge, the findings highlight net deficit respondents were more likely to fare poorly than net surplus respondents. Further, in terms of *zakat* and *awqaf*, both groups of respondents appear to have low-level understanding of these concepts. Overall, the study provides the conceptual framework for an inclusive IFP approach in Brunei. Thereby, it provides a different paradigm towards combating poverty, through the lens of financial planning, alongside the added components of *zakat*, *awqaf*, financial literacy and financial inclusion.

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DECLARATION

I hereby declare that this thesis is a result of my original work. All references, citations or quotes which are not my original work have been duly acknowledged. None of the materials in this thesis has previously been submitted for any other degrees in this or any other university.

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Table of Contents

CHAPTER 10 CONTEXTUALISATION OF FINDINGS: AN INCLUSIVE ISLAMIC FINANCIAL PLANNING FRAMEWORK

CHAPTER 11 CONCLUSION

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

ANOVA	Analysis of Variance
ASEAN	Association of Southeast Asian Nations
BLC	Behavioral Life-Cycle hypothesis
BND	Brunei Dollar
BSSC	Baseline Survey of Saving for and by Children
CFP	Conventional Financial Planning
EPF	Employee Provident Fund
FACS	Families and Children Study
FSA	Financial Services Authority
GDP	Gross Domestic Product
HDI	Human Development Index
HES	Household Expenditure Survey
IFI	Islamic Financial Institution
IFP	Islamic Financial Planning
JAPEM	Jabatan Pembangunan Masyarakat (Community Development Department)
LCH	Life Cycle Hypothesis
MFI	Micro Finance Institution
MUIB	Majlis Ugama Islamic Brunei (Brunei Islamic Religious Council)
MUIS	Majlis Ugama Islam Singapore (Islamic Religious Council of Singapore)
NGO	Non-Government Organisations
OAP	Old Age Pension
PROPAZ	Program Pengupayaan Asnaf Zakat (Asnaf Zakat Empowerment Programme)
QUAL	Qualitative
QUAN	Quantitative
SCP	Supplemental Contributory Pension
SGD	Singapore Dollar
SPSS	Statistical Package for the Social Sciences
TAP	Tabung Amanah Pekerja (Employees Trust Fund)
TIAA-CREF	Teachers Insurance and Annuity Association, College Retirement Equities Fund
UK	United Kingdom
US/USA	United States/United States of America
USD	US Dollar
YSHHB	Yayasan Sultan Haji Hassanal Bolkiah (Sultan Haji Hassanal Bolkiah Foundation)

LIST OF APPENDIX

Chapter 1
INTRODUCTION

1.1 RESEARCH BACKGROUND

Over the years, numerous attempts have been undertaken to alleviate poverty ranging from international efforts, such as the United Nations Millennium Development Goals, to education-related efforts, such as the emphasis on financial knowledge. Where the latter is concerned, numerous studies and government initiatives have been carried out highlighting the importance for individuals to be financially literate and capable of making financial decisions, ranging from complex issues related to retirement planning, to day-to-day aspects such as cash flow planning or budgeting.

Although the initiatives and research undertaken related to financial knowledge are admirable and insightful, they have potential limitations. Not all individuals may have either the interest in acquiring financial knowledge, or have the ability to easily grasp complex financial matters, even if the knowledge may improve their financial situation. Therefore, one possible approach towards mitigating poverty, in addition to disseminating financial knowledge itself, is to introduce financial planning to those who are more likely to need it, such as those in poverty.

In its present context, financial planning, be it conventional or Islamic, would more often than not neglect those in poverty. The elite and middle-income households (net surplus households) are more likely to consider financial planning services than those in poverty, due to the inherent notion that only those with surplus wealth would acquire the expertise of financial planners. I argue that Islamic financial planning (IFP), in the true sense of the word 'Islamic', needs to re-frame the identity of Islamic financial planning to involve those with low incomes and those in poverty (net deficit households). This is especially pertinent within the realm of Islamic economics, given its social orientation. If a particular approach is beneficial for a group of individuals, it should also be considered for others, notably if there is a potential to narrow the gap between the rich and the poor. In addition, the development of Islamic financial planning, to incorporate low-income households and those in poverty, would also add to the scarce literature on Islamic financial planning, notably so as the Islamic financial sector has only emerged since the 1970s.

The nature of the challenge is therefore, towards ascertaining how an inclusive Islamic financial planning (IFP) approach may work, when net deficit households are involved. Without sufficient income or wealth, net deficit households would find planning their finances a daunting prospect, at the very least. With that in mind, Islamic institutions such as *zakat* and *awqaf* would play a pivotal role within an inclusive IFP framework, providing the optimal financial support and financial products that are required for such a framework to be possible, whilst at the same time ensuring that welfare recipients do not become overly dependent on welfare.

Two other components that should be incorporated into any inclusive IFP framework are financial inclusion and financial literacy. The former is essential in any discussion of contemporary financial issues, as day-to-day financial matters deal with the use of financial products, from basic products such as bank accounts to receive wages, to relatively complex products such as mutual funds and stocks that assist towards achieving long-term goals, such as financial security in retirement. Meanwhile, where financial literacy is concerned, its importance is increasingly pivotal, with governments gradually pushing the responsibility of managing one’s own finances, such as pensions, onto individuals.

The above components not only need to be incorporated together within an inclusive IFP framework, but should also pertain to the context of Brunei. Blessed with natural oil and gas reserves, Brunei has one of the highest GDP per capita in South East Asia at $48,194[1] (Asian Development Bank 2010), a literacy rate at around 94.9 percent and a Human Development Index of 0.805, which ranks Brunei 37th globally in 2010 (Brunei Economic Development Board n.d.-c; United Nations Development Programme 2010). With the above resources and capabilities in mind, one may contend that Brunei has the potential to attempt a different approach to mitigate poverty through an inclusive IFP framework, which is especially relevant as two-thirds of the population are Muslims (Brunei Economic Development Board n.d.-c).

[1] Units pertain to current international dollars, and purchasing power parity.

All in all, this study attempts to incorporate Islamic financial planning, *zakat*, *awqaf*, financial inclusion and financial literacy into an inclusive Islamic financial planning framework for Brunei. The following pages will elaborate further on the research aims and objectives of the study, the significance of the study and a brief description of the research design.

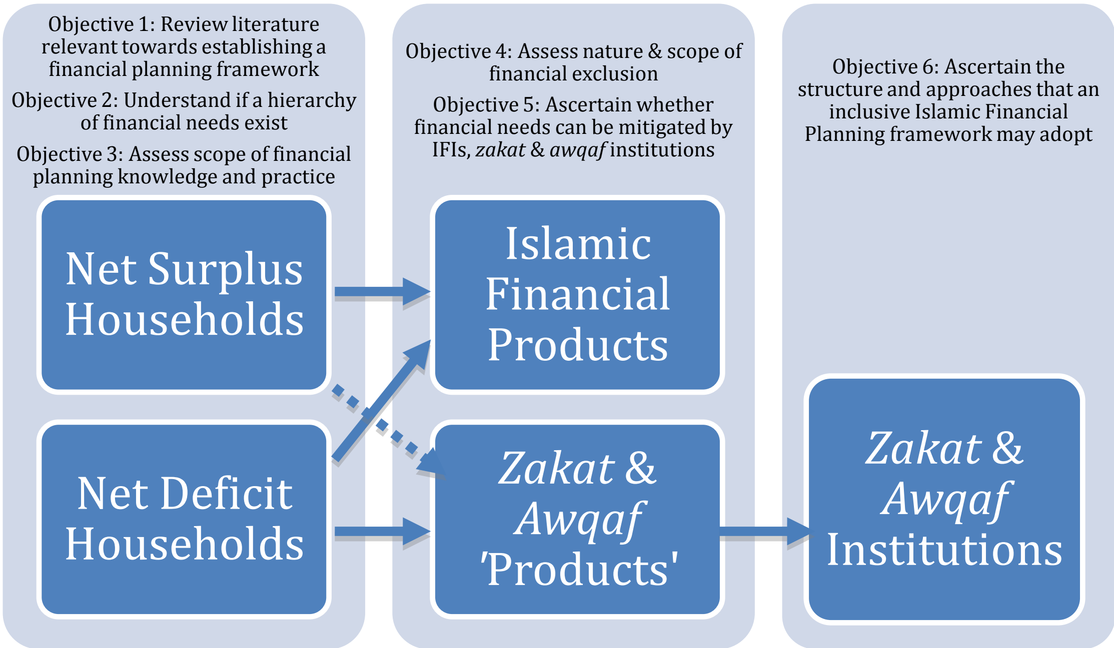
1.2 RESEARCH AIMS AND OBJECTIVES

The aim of this study is to examine the needs of the poor and non-poor households in order to identify, describe and establish an inclusive Islamic Financial Planning framework for both groups in Brunei Darussalam. To that end, the objectives of this research are:

1. To review the theoretical literature relevant towards establishing a framework of financial planning.
2. To understand if a hierarchy of financial needs exists in Brunei for different classes of the population.
3. To define the scope of financial planning knowledge and practice in Brunei.
4. To define the nature and scope of financial exclusion in Brunei.
5. To ascertain whether financial needs can be met by Islamic Financial Institutions (IFIs), *zakat* and *awqaf* institutions.
6. To ascertain the structure and approaches that an inclusive Islamic Financial Planning framework may adopt.

Figure 1.1 further elaborates the above-mentioned objectives, vis-à-vis the respective households, type of financial products and related institutions.

Figure 1.1 Research Objectives of the Study



Indicates the provision of financial needs, in relation to the respective institutions.

Indicates the flow of funds to create *zakat* & *awqaf* products.

Objective 1: To review the theoretical literature relevant towards establishing a framework of financial planning.

In order to establish an inclusive IFP framework, it is pertinent to firstly explore the existing literature related to personal finance, in general, and financial planning in particular. Understanding the prevailing theoretical literature would provide a basis towards incorporating components within the framework of Islamic financial planning.

Objective 2: To understand if a hierarchy of financial needs exists in Brunei, for different classes of the population.

The second objective is designed to ascertain if perceived saving needs and difficulties in assessing financial products for the sample under study, follow a form of hierarchy, such as that described by Xiao and Noring (1994). Ascertaining a hierarchy of financial needs would assist stakeholders involved in poverty alleviation efforts, to understand the types of financial products and saving needs that net surplus and net deficit households aspire to. Furthermore, understanding the financial products and saving needs is also deemed as an invaluable input towards ascertaining an inclusive IFP framework, where Brunei is concerned. To achieve this objective, the resulting main research questions are posed:

- Taking perceived saving motives as a proxy of financial needs, does a hierarchy of financial needs exist in Brunei?
- Taking financial exclusion or difficulties in accessing financial products and services as a proxy of financial needs, does a hierarchy of financial needs exist in Brunei?

Objective 3: To define the scope of financial planning knowledge and practice in Brunei.

Determining the scope of financial planning knowledge and practice would contribute towards an inclusive IFP framework, by ascertaining areas within financial planning in particular, and financial literacy in general, where respondents are relatively weak, and whether such areas of weakness differ between net surplus and net deficit respondents. An understanding of any deficiency in financial planning knowledge and practice would provide the impetus for stakeholders, such as policymakers, to divert sufficient attention and efforts, towards the success of any given financial literacy programme. The resulting research questions are:

- What are the variables that significantly determine financial planning practice?
- What are the variables that significantly determine financial planning knowledge?

Objective 4: To define the nature and scope of financial exclusion in Brunei.

Ascertaining the nature and scope of financial exclusion is essential, due to the importance of financial products and services in the contemporary sense. Where an inclusive IFP framework is concerned, any insights into financial exclusion would not only raise issues related to the particular financial product, but also provide input into the fifth objective stated below, that is whether the financial needs of households, in particular their access to financial products, can be met by the relevant institutions. To that end, the research questions are:

- What are the socio-economic variables determining the usage of financial products, for the financially excluded?
- What are the factors affecting the accessibility and usage of financial products, for the financially excluded?

Objective 5: To ascertain whether financial needs can be met by Islamic Financial Institutions (IFIs), zakat and awqaf institutions.

With regards to the financial needs of net deficit households, which include their saving needs and access to financial products, the fifth objective would ascertain whether these financial needs can effectively be met by IFIs, *zakat* and *awqaf* institutions. These three institutions are central to the Islamic economics and finance world, as IFIs are alternatives to conventional financial institutions whilst *zakat* and *awqaf* institutions play crucial roles as social institutions that assist towards mitigating poverty. Therefore, ascertaining the ability of these institutions vis-à-vis the financial needs of net deficit households provides an important ingredient to establish an inclusive IFP framework in Brunei. The research questions are:

- Are current financial products and services offered by Islamic Financial Institutions sufficient to meet the financial needs of net deficit households?
- Are current financial products and services offered by *zakat* and *awqaf* institutions sufficient to meet the financial needs of net deficit households?

Objective 6: To ascertain the shape and approaches that an inclusive Islamic Financial Planning framework may adopt.

The final objective of the study aims to integrate the findings related to *zakat*, *awqaf*, financial exclusion and financial literacy, which will provide the basis towards establishing an inclusive IFP framework in Brunei Darussalam. This objective strives to outline the particular financial strategies that would meet the financial needs of net deficit households, and discuss the role of net surplus households within such a framework. To fulfil this objective, the research questions are:

- For net deficit households, what approaches can be formulated to create an inclusive Islamic Financial Planning framework, taking the potential of *zakat* and *awqaf* into account?
- For net surplus households, what approaches can be formulated to create an inclusive Islamic Financial Planning framework towards contributing to the potential of *zakat* and *awqaf*?

1.3 RATIONALE AND SIGNIFICANCE OF THE RESEARCH

The motivation in considering an inclusive Islamic financial planning approach to mitigate poverty lies with the benefits of financial planning. Studies such as Ameriks, Caplin and Leahy (2003), as well as Lusardi and Mitchell (2007a), demonstrate the association between planning and wealth accumulation, highlighting that those with a propensity to plan tend to save more, and were able to explain the variation of wealth between planners and non-planners. Therefore, if planning one's finances is said to benefit the relatively well-off, one may contend that there is a need to consider if financial planning for low-income households and those in poverty can be undertaken.

Despite the benefits of financial planning there are few, if any, studies related to financial planning focusing on low-income households and those in poverty. One of the main reasons lies with the notion that customers of financial planning are generally those with surplus income or wealth. This research considers the possibility of refining the concept of financial planning to include net deficit households, with the intention of mitigating poverty. This, in itself, is relatively significant, especially as few studies view poverty alleviation from the broad perspective of personal financial planning that ranges from day-to-day aspects, such as budgeting, to long-term events, such as retirement.

Furthermore, there are no known studies that are related to the context under study. This can partly be understood from the fact that Islamic financial planning falls under the umbrella of Islamic finance, a field that has only emerged into the contemporary financial scene in the last few decades. Therefore, this study aspires to add to the literature related to Islamic financial planning.

This study also differs from previous studies related to *zakat* and *awqaf*, as it combines a contemporary financial approach and issue, that is Islamic financial planning and financial exclusion respectively, with the historical concepts of *zakat* and *awqaf*. Such integration of new and old concepts is essential, as new eras bring with them different personal financial issues and circumstances; therefore there is a need to review how institutions or historical concepts such as *zakat* and *awqaf* can be effective, given the differing financial context of a given era.

1.4 RESEARCH DESIGN

The mixed-methods approach is the preferred strategy for this research, as the various research questions cannot be answered by a single approach alone. This implies the pragmatism worldview is adopted, where the focus is on using methods that are able to provide answers to the respective questions.

Two main tools will be used in this study, notably the structured interview/questionnaire-based survey and semi-structured interview. The structured interview is a quantitative research method that aims at aggregating responses, by providing similar cues to the respondents (Bryman 2008). To mitigate the issue of social desirability bias, potentially sensitive questions related to respondents' personal financial data are written down by respondents themselves, while the remaining questions are answered verbally.

While structured interviews/questionnaire-based surveys are carried out for quantitative analysis, semi-structured interviews are undertaken for qualitative analysis. In this study, the main purpose for utilizing the qualitative approach is to attain rich and detailed information, such as that pertaining to research objective 4, which is designed to ascertain the nature of financial exclusion.

1.5 OUTLINE OF THESIS CONTENTS

With a view towards exploring the creation of an inclusive IFP framework in Brunei, the remaining chapters are organised as follows:

Chapter 2 - Financial Planning provides an overview of financial planning which includes the financial planning process and Chieffe and Rakes (1999) financial planning model, which looks at current and future events that may affect an individual. Further, a review of economic, psychological/behavioural and empirical research on savings, debt and planning is also undertaken. In addition, recent developments relating to financial literacy are also described.

Chapter 3 - Financial Exclusion reviews the literature pertaining to the causes, consequences and responses towards financial exclusion. Additionally, findings on who are more likely to be excluded are highlighted accordingly.

Chapter 4 - *Zakat, Awqaf* and Islamic Financial Planning compares Islamic financial planning vis-à-vis conventional financial planning, followed by a description of the fundamental aspects of *zakat* and *awqaf*, within the context of payers/contributors, beneficiaries and the related institution.

Chapter 5 - Personal Finance and Poverty in Brunei Darussalam provides an overview of personal finance pertaining to Brunei, notably within the realm of money management and investing for goals. Furthermore, poverty alleviation efforts by the relevant government agencies as well as the institutions of *zakat* and *awqaf* in Brunei are highlighted.

Chapter 6 - Research Methodology and Design provides a detailed description of the specific tools and sampling approaches designed to answer the research questions, in view of the methodology and design of the study. Additionally, the chapter also outlines the validity and reliability aspects observed within the research.

Chapter 7 - Descriptive Statistics highlights the socio-economic characteristics of the net surplus and deficit households involved in the study, their usage of financial products, level of financial exclusion, as well as their financial planning practices, financial knowledge, and understanding of *zakat* and *awqaf*.

Chapter 8 - Quantitative Analysis of Saving Motives, Financial Exclusion and Financial Planning involves analysing the data from the structured interviews/questionnaire-based surveys, by firstly establishing whether a financial hierarchy exists, where saving motives and financial exclusion are concerned. Further, an understanding of the determinants of saving motives and financial exclusion was also attempted. Finally, findings on financial planning are highlighted, to identify variables that significantly determine financial planning knowledge and practice.

Chapter 9 - Qualitative Analysis of Financial Exclusion, Financial Emergencies and *Zakat* Disbursement presents results from the semi-structured interviews of welfare recipients, which ascertains factors that restrict their access to, and usage of, financial products. Further, the chapter also provides insights onto avenues that respondents pursue when faced with financial emergencies, as well as selected aspects of the current *zakat* disbursement process and opinions of *zakat* recipients, highlighted during the interviews.

Chapter 10 - Contextualisation of Findings: an Inclusive Islamic Financial Planning Framework converges on the findings of the research, which firstly describe the financial needs of net deficit households, and examine if the current financial products and services offered by IFIs, *zakat* and *awqaf* institutions are sufficient to meet their needs. Further, the chapter discusses the structure and form of an inclusive IFP framework, informed by the findings from the preceding chapters. In addition, the value of financial literacy within the framework is highlighted, before challenges directly inferred from the findings are described.

Chapter 11 - Conclusion provides a summation of the research, reflecting upon the findings of the study vis-à-vis the research objectives. The research implications are also highlighted, shedding light onto the theoretical and practical implications of the study. Towards the end, suggestions for future research are outlined.

Chapter 2
FINANCIAL PLANNING

2.1 INTRODUCTION

Prior to the 1970s, much of the activities related to financial planning in the United States were relatively simple, catering exclusively for the wealthy whom were advised by their accountants, lawyers, investment advisors and bankers. However, the 1970s witnessed a growth in the demand for financial planning, as the middle-income class benefited from a higher standard of living, and with their surplus income sought financial assistance to manage their financial health, especially as financial products and services became increasingly complex (Altfest 2004, 2007). Additionally, the decade also witnessed volatile economic conditions in the United States, such as high unemployment, stagflation, changes in tax laws and double digit inflation, resulting in financial planners' activities becoming equally complex (Mittra, Potts, and LaBrecque 2005). Throughout time, the activities of financial planners continue to evolve, in line with the financial products and demands of customers.

From an academic and research perspective, financial planning remains largely a practitioners' arena, with few studies undertaken to explore the field. Previous studies that have some links to personal finance appear to focus heavily on savings, from either an economic or behavioural perspective. However, lately, there have been a number of studies, and considerable interest in understanding the significance of planning, in personal finance.

In this chapter, the financial planning process as a whole and the financial planning model noted by Chieffe and Rakes (1999) will be highlighted. Additionally, selected research and empirical studies on savings, debt and planning are discussed, to further understand financial aspects that are important for planning purposes, notably for low-income households. The chapter then concludes by bringing into context the argument that financial planning needs to cater not simply for those with wealth or net surplus, but also for those with limited wealth or who are in net deficit.

2.2 OVERVIEW OF FINANCIAL PLANNING

The Certified Financial Planner Board of Standards (n.d., p. 2) denotes 'Personal Financial Planning' or 'Financial Planning' as the "process of determining whether and how an individual can meet life goals through the proper management of financial resources". This process involves creating a financial plan that aims to achieve the individual's goal from one's present circumstances to the desired, future goal (Harrison 2005).

2.2.1 The Financial Planning Process

Mittra et al. (2005) highlight that the financial planning process can be generalised under six main stages:

1. Establishing client objectives.
2. Gathering quantitative and qualitative data.
3. Processing and analysing the financial data.
4. Recommending specific actions for clients by producing a written, comprehensive financial plan.
5. Implementing the plan.
6. Monitoring progress and conducting periodic reviews.

2.2.1.1 Establishing client objectives

Within financial planning, from the onset, it is important to articulate upon the difference between the client's goals versus the client's objectives. Although the terms 'goals' and 'objectives' are often used synonymously, goals are vague and subjective in nature, while objectives are quantifiable or measurable (Mittra et al. 2005). For instance, a client's goal to 'purchase a house large enough for his or her family in the next few years' is open to interpretation, while a client's objective to 'buy a house around the market price of $300,000 in 5 years' time' is easily measurable. Having a clear objective helps both client and planner to chart the course of action or strategies to focus upon. Some examples of goals and objectives are shown in Table 2.1.

Table 2.1 Examples of Goals and Objectives

Goals	Objectives
I would like to retire comfortably.	I would like to retire at age 60, with a retirement income of $50,000 per year.
I would like to prepare for emergencies.	I would like to prepare for sudden health and disability issues that may affect my current level of income.
I would like to invest funds for my children's education.	I would like to invest funds sufficient to pay university fees and living expenses for my children, which will occur in 15 years' time.

2.2.1.2 Gathering quantitative and qualitative data

Once an individual has articulated their future, desired objectives, it is pertinent to understand their current financial position. In order to do so, a planner would generally provide the individual with a questionnaire or set of questionnaires alongside interviews and discussions, to gather quantitative and qualitative data for analysis.

Hallman and Rosenbloom (2003) and Mittra et al. (2005) highlight that the quantitative and qualitative information may include the following:

a) Quantitative information:

- General family profile.
- Names and contact details of other advisors.
- Value of assets and liabilities.
- Degree of cash inflows and outflows.
- Insurance policy information (Life, long-term care, health, property and liability insurance policies).
- List of retirement benefits, employer benefit and pension plan information.
- Tax returns for the past few years.

- Details of current investments.
- Client-owned business information.
- Provisions contained in wills and trusts.
- Lifetime gifting programme.
- Contingency plans.
- Financial and economic assumptions.
- Arrangement of distribution of client’s estate at death.

b) Qualitative information:

- Anticipated changes in current or future lifestyle.
- Health status.
- Risk tolerance level.
- Client’s and family member’s insurability.
- Interests and hobbies.
- Expectation about employment.
- Life values.
- Life priorities.
- Attitudes, fears and preferences.

As the information obtained at this stage will be used to provide strategies and recommendations, the quality of information obtained must be as detailed and as accurate as possible. Consequently, this stage is expected to be a time-consuming and laborious process. Additionally, as the information provided by the client is largely of a sensitive and confidential nature, a greater degree of communication skill and tact is involved.

2.2.1.3 Processing and analysing the financial data

The planner would then process the quantitative data pertaining to assets and liabilities into a Statement of Net Worth, to ascertain the individual’s financial net worth, while information related to cash inflows and outflows would be used to create an Income Statement.

Using the information gathered in the preceding steps and with the objectives of the client in mind, analysis would then be carried out to ascertain if the current financial position or strategies currently undertaken, if any, are likely to achieve the future objectives, or otherwise.

2.2.1.4 Recommendations

If the current financial position or strategies are not likely to achieve the future objectives, then the planner will provide suggested alternatives that may meet the client's objectives, taking into account, among other things, the risk tolerance of the client, economic assumptions such as inflation, and the client's preferences or values, as stated in the data gathering stage.

Mittra et al. (2005) highlight that the success of this stage is determined by the effectiveness in communicating the recommendations to the client. Since a plan is only as useful as its eventual implementation, such communication may include the use of technical analysis, videos and charts to illustrate the recommendations effectively.

2.2.1.5 Implementing the plan

Once the recommendations are communicated, the implementation of the plan must be undertaken in a timely manner. If there is a significant period of time between the creation of the financial plan and its implementation, it may be crucial to refine the plan as it may require adjustment of assumptions such as inflation, rate of return and other time-sensitive variables.

2.2.1.6 Monitor and Review

With the implementation of the plan, a review of its progress should be undertaken periodically, such as semi-annually or annually, as changes in the financial and economic conditions may disrupt the implemented strategies. Additionally, if certain key incidents occur, such as losing one's source of income or suddenly acquiring a large inheritance, it is in the best interest of the individual to review the financial plan with the planner, as soon as these events take place.

2.2.2 The Life Cycle Hypothesis

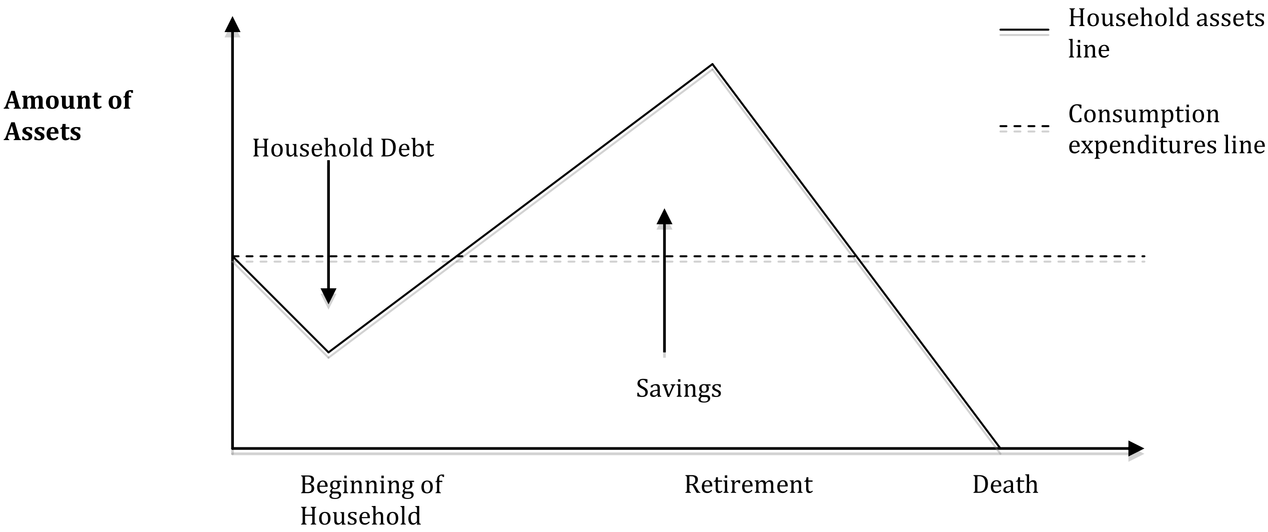
As the earlier section shows, financial planning involves a detailed effort towards planning, which begs the question, 'What specific areas of finance does it plan?' At this point, before examining the integrated financial planning model highlighted by Chieffe and Rakes (1999), the Life Cycle Hypothesis of Savings is worth noting.

The Life Cycle Hypothesis (LCH) posits that individuals are "…as a rule and on the average, to be forward looking…" (Modigliani and Brumberg 1954, p. 32) and smooth their consumption or plan for a constant consumption pattern over their lifetime. In other words, individuals attempt to maintain a similar standard of living throughout their lives. Another key assertion is that savings behaviour at a point in time does not depend on current income and current wealth, but savings is dependent on expectation of lifetime resources, a term which refers to current income, expected future income and assets currently under possession (Modigliani 1986).

Taking the two assertions together, this means that to achieve the 'smooth' consumption line over one's lifetime, there will be instances in the short-run where savings will vary, depending on how far apart current income is with average lifetime resources (Modigliani 1986). In other words, when current income is higher than average life resources, consumers will save more to balance out periods where current income is lower than average life resources, leading to the "hump-shaped age path of wealth holding" (Modigliani 1986, p. 300), as depicted in Figure 2.1.

As shown in Figure 2.1, individuals will want to maintain the same standard of living throughout their lifetime, as noted by the consumption expenditures' line. However, for the line to remain constant, there will be notable variations in income and savings throughout the lifecycle. Generally, in the early working stage, an individual is said to have a relatively low income and is a net borrower. For instance, one may decide to purchase a house at this stage, turning one to become a net borrower and dissaver. Then, as income increases, the individual begins to settle the debt owed and build up assets for future consumption such as during retirement, giving us the hump-shaped illustration of assets held throughout the life cycle (Life Cycle Hypothesis 2002).

Figure 2.1 Demonstration of Life Cycle Theory



Source: Altfest (2007, p. 78)

Where financial planning is concerned, the theoretical framework of savings may appear relatively intuitive in the present context, but between the 1930s and early 1950s, savings was viewed with concern and suspicion, as it was considered to have played an influential role in the Great Depression. At that point in history, the prevailing motive to save was seen to be for bequest purposes by the rich (Modigliani 1986). Such a contrast of intuition between the past and present provides an appreciation of the insightful nature of the LCH, as it attempts to provide a theoretical understanding of how decisions are made by people, assuming that individuals are forward looking rather than impulsive buyers (Altfest 2007).

In the empirical sense, the LCH possesses certain shortcomings. For instance, one of its assumptions is that saving for bequest is disregarded, whereby it assumes individuals do not inherit and do not leave wealth for bequest (Modigliani and Brumberg 1954). This implies that the elderly will dissave significantly, in accordance with the assumption that an individual’s consumption remains constant and there is no bequest left at the end of his or her lifetime. However, empirically, it is found that although retirees generally dissave, the degree of dissaving is less than that predicted by the LCH, or a significant portion are found not to dissave, as noted in Alessie, Lusardi and Aldershof (1997), and Demery and Duck (2006). The above cases which question the validity of the LCH may be due to a desire to bequest

(Alessie et al. 1997; Mason 1986 as cited in Modigilani 1986) and the uncertainty of actual length of life, notably in consideration of uncertain medical expenses (Davies 1981 as cited in Modigilani 1986).

Another shortcoming of the theory, in the context of financial planning, is the assumption that expenditures in all stages of life will remain constant. Altfest (2007) highlights that the assumption is particularly difficult to hold, since in reality, age-specific expenses such as health costs for the elderly, will make the expenditure pattern irregular. Additionally, the elderly may change their standard of living after retirement, where in some cases, they may increase their living standards or consumption; for instance, by undertaking a trip around the world, while others may lower their living expenses due to uncertainty of length of life.

Despite its shortcomings, the LCH is the leading economic model that highlights how individuals behave, where savings and income are concerned. The model plays a key role in financial planning, assisting individuals to be forward thinking, to look beyond the short-run to ascertain future objectives such as that related to retirement (Altfest 2007). It also responds to the earlier question posed, as to what specific areas of finance does financial planning entail, whereby more often than not, financial planning involves planning for one's entire *life* events, be it present or future, planned or unplanned.

2.3 A FINANCIAL PLANNING MODEL

Table 2.2 illustrates an integrated model proposed by Chieffe and Rakes (1999) showing the major areas in financial planning that need to be considered when creating a comprehensive financial plan.

Chieffe and Rakes (1999) highlight that the first categorisation in the financial planning model relates to time. Events may occur in the future, for example savings for children's education, or they may occur in the current period, such as budgeting for this month's expenses. The definition of 'current period' is left to the discretion of the user of the model, for it could mean a year or two, or it could be the time between regularly scheduled payments. 'Future period' would denote a time when events take place beyond the 'current period'.

Table 2.2 The Financial Planning Model

	Current period	Future period
Planned financial events	Money management	Investing for goals
	Budgeting*	Investment planning*
	Income	(education planning*
	Living expenses	and other LT or IT goals):
	Savings	Stocks and bonds
	Credit	Mutual funds
		Real estate
	Income tax planning*:	Retirement planning*:
	Gifts	Pension funds
	Taxes	IRAs & annuities
		401Ks and 403Bs
Unplanned financial events	Emergency planning	Transference planning
	Risk Management*:	Estate planning*:
	Emergency fund	Wills
	Line of credit	Tax planning
	Insurance:	Trusts
	Property	Life insurance
	Health	Business agreements
	Liability	Charitable bequests

* Major areas as defined by the Certified Financial Planner Board, USA.
Source: Chieffe and Rakes (1999, p. 262)

The second categorisation depends on whether the exact timing of the event can be foreseen. Some events can be ascertainably planned in advance, for instance retirement, while the timing of other events cannot be predicted, such as sudden loss of employment or occurrence of a health condition.

The specific areas that fall within this matrix are described in detail below, with the exception of income tax planning (which falls under ‘money management’), transference planning and certain types of insurance[2].

[2] In terms of income tax, as there are no personal income taxes in Brunei, inclusion of this event in the study would not be useful. In the context of insurance (aside from property insurance and disability income insurance), given that Bruneians are charged a nominal fee for public health services, there may be minimal need for health insurance policies for individuals, except for one’s peace of mind or use of private health facilities. Further motor vehicle insurance as is the norm is compulsory for vehicle owners, making such analysis irrelevant. Transference planning is also excluded, as this study focuses more on net deficit customers, whereby it is less likely such planning is of a high priority, amongst other more pressing priorities.

2.3.1 Money Management

Money management, which pertains to a current period and an expected event, essentially involves managing cash flow and credit usage. Managing one's cash flow is a pivotal aspect of financial planning; Mittra et al. (2005) stress that it is only through managing one's cash effectively that individuals can be successful in attaining their specific financial objectives. The authors contend that the actual cause of financial distress or disasters are not due to bad investments, changes in circumstances or not having enough income, but as a result of one's lack of control over cash flows. Further, the importance of managing cash flow and its resulting benefits is not only down to the numerical, financial impact that it brings, but it is also psychological, whereby it helps the individual to mentally re-assess his/her financial situation in relation to life goals. A financial planner notes "As clients look at that simple bar chart, the conversation changes from frustration, confusion, or even fear, to their goals, what is important, and what they want more of in their lives." (Kies 2008, p. 42)

In this context, the common approach used to manage cash effectively is through budgeting. Budgeting involves the process of estimating, documenting and monitoring expected income, savings and expenses, since the main rationale for budgeting is to ensure one lives within one's means (Mittra et al. 2005). This is especially important for those facing changes in living situations or entering the workforce, where regular monitoring helps to ensure the person lives within his or her income level and means (Chieffe and Rakes 1999; Hallman and Rosenbloom 2003).

To maximize the benefits of budgeting, the planned cash flows should be written and compared against actual cash flows. Writing a budget helps to ascertain that available cash is actually directed to key objectives or priorities (Chieffe and Rakes 1999), while comparing planned against actual cash flows helps to view spending patterns over time. If expenses appear to be exceeding income, budgeting helps to identify the actual source of overspending and helps the individual to take the necessary course of action, whether it is to discipline one's expenditure patterns, increase the planned expenditure amount for the next period to a realistic amount, or other alternatives that may be suggested by the planner. On the other hand, if income exceeds expenses, the structure of the budget can be changed to ensure surplus funds are directed to savings.

Since the success of budgeting relates to the realistic nature of cash flows, considerable time and effort must be undertaken to ensure estimates are comprehensive and accurate (Mittra et al. 2005).

Undoubtedly, one of the key components within any budget is the amount saved, and one of the general rules within financial planning is to 'pay yourself first' (Mittra et al. 2005; U.S. Department of Labor n.d.). This implies savings is seen as an expense, which needs to be paid first, rather than viewing savings as the residual amount of the budgeting process. Aside from savings, another category found in budgets is debt repayments. Although debt can play an important role for households, for instance in making ends meet when faced with temporary cash flow problems, in some cases the availability of cheap credit facilities may push households to become overburdened with debt, leading to indebtedness and financial hardship. Therefore, numerous rules of thumb or debt threshold levels are used to help households manage their debt, such as setting monthly repayment as a percentage of income, whereby following experiences of practitioners', debt repayment[3] should not exceed 10-15 percent of monthly net income[4] (Mittra et al. 2005). Another approach is the personal debt/equity ratio[5], whereby proportions above 33-44 percent signify potential debt issues, requiring immediate attention (Garman and Forgue 2008; Mittra et al. 2005).

With regards to budgeting as a whole, its importance within a financial planning framework towards accumulating wealth is also noted empirically. Ameriks, Caplin and Leahy (2003) found that those who create a detailed budget, as a result of a higher propensity to plan, are likely to save more than those who do not. The authors found that this ability to save more, may partially be explained by the role of budgeting in helping to monitor spending. In their study, within those households that maintain some degree of a detailed budget, nearly 50% of these households highlighted that budgeting assisted them to control their spending behaviour.

[3] Computation of debt repayments should exclude home mortgages and credit card charges paid in full at month end.
[4] Net monthly income is computed by subtracting gross income against contributions to pensions schemes, retirement plans and taxes.
[5] The summative figures of personal debt and equity should be attained from the Net Worth Statement. Further, the mortgage of a home and the value of the home should be excluded, as the home is usually set as a collateral for the mortgage.

2.3.2 Emergency Planning

2.3.2.1 Emergency fund

Emergency funds play an important role in ensuring cash intended for daily expenditures and known events, do not get diverted when unexpected events, such as a car breakdown or an unexpected loss of employment, occurs. In practice, it is common to hear the use of rules of thumbs in creating emergency funds, be it the rule of 3 to 6 months of household *expenses* or, of household *income* (Altfest 2007; Hallman and Rosenbloom 2003). To some, the choice of either household expenses or income may appear arbitrary but choosing a lower amount (which generally would be household expenses) means that more funds could be channeled to other financial activities such as retirement planning, which should be earning higher returns than emergency funds. Additionally, using income may distort emergency fund holdings. For instance, if income is applied, in cases where spending exceeds income, the need for an emergency fund (or emergency fund holding) may be understated. While if income exceeds spending, emergency fund holdings would be overstated (Bi and Montalto 2004).

Despite the popularised 'rules of thumb', Altfest (2007) states there are no hard and fast rules, and the actual size of the emergency fund depends on various factors, including:

- Degree of risk faced: a single-income earner working in a turbulent, private sector faces more risk than two income earners working under a government agency.
- Amount of debt outstanding: having a sizeable outstanding debt and other liabilities may require a larger emergency fund when emergency events occur, such as when one is suddenly laid off, as liabilities will still need to be paid off.
- Availability of other assets: for instance, if one's stocks or investment deposits are difficult or very costly to liquidate, a larger size of emergency fund may be required.

Other considerations include the type of contingency plans in place, such as ownership of insurance policies, taking into account the actual insurance deductibles as well as uncovered health and property exposures (Hallman and Rosenbloom 2003). With these factors in mind, it is of little surprise that Suze Orman, a financial advisor and renowned television host, suggested having emergency funds equal to at least eight months of living expenses, in light of recent economic issues and credit card regulations in the United States (Orman 2009). Whatever the size, the classic advice is that the funds should be placed in highly liquid assets and conservatively invested, to avoid high exit costs and significant losses (Altfest 2007; Hallman and Rosenbloom 2003).

In terms of theoretical and empirical studies, the past few decades have witnessed numerous efforts towards understanding saving for emergency purposes or precautionary saving. One of the early studies highlighting precautionary saving was that of Katona (1975), who noted that representative sampled surveys carried out in 1960 and 1966 in the United States (US), found that the highest reason for saving was for emergencies, followed by retirement and for children's needs. More recent studies also argue on the prevalence of the precautionary saving motive; Alessie et al. (1997), in their study of panel data (1987-1989) in Holland, noted the precautionary saving motive being relatively prevalent and stable across the life cycle.

Aside from studies looking at the precautionary saving motive by itself, other research analyses the relationship between precautionary savings and labour income risk, arguing that when labour income risk is high, the accumulation of wealth for emergency purposes is high as well. For example, Carroll and Samwick (1997) examined the relationship between uncertainty in income[6] and precautionary savings. Using US Panel Study of Income Dynamics data (1981-1987), the authors demonstrated that increased uncertainty in income relates to a higher accumulation of wealth. A similar relationship was found by Lusardi (1998) using Health and Retirement Study data in the US, although the author measured income risk based on answers to a subjective question, where respondents were asked to evaluate their chances of losing their jobs in the following year.

The prevalent nature of precautionary savings led to the relative popularity of the buffer-stock model (Carroll 1997), which contends that household savings are better explained by the buffer-stock model than the LCH. The buffer-stock model involves

[6] Measured by variances of permanent and transitory shocks to income.

setting a target wealth-to-permanent income ratio, and if wealth is lower than the ratio, households are more likely to save rather than dissave, and vice versa. However, the empirical evidence of precautionary savings as a whole has been mixed; in some studies, precautionary wealth as a percentage of total household wealth shows a low figure ranging from 2 to 8 percent, while other studies indicate a more significant figure of up to 50 percent of wealth attributed to precautionary savings (Kennickell and Lusardi 2005). More recently, it has been found that the sizeable variation of these previous studies is due to the pooling of business owners together with other households (Hurst, Lusardi, Kennickell, and Torralba 2010). When business owners were taken out of the pool, precautionary savings explained less than 10 percent of total wealth, compared to about 50 percent when business owners were included. The authors state that one of the key factors, if not the most important factor, in explaining the huge accumulation of wealth by business owners, is the accumulation of wealth for retirement purposes, since only 30% of older non-retired business owners, according to their data, own a pension.

2.3.2.2 Line of credit

In general, the use of credit as part of emergency planning is not fully encouraged by practitioners. For instance, Mittra et al. (2005) note the usefulness of a home equity line of credit, but only after exhausting emergency funds, while Rast (2000), though recognizing credit can supplement emergency funds, stresses that it should only be used in a highly sceptical manner. The cautious perception of credit within emergency planning can be understood in relation to concerns of misplaced perception by borrowers, who mentally categorise credit as being similar to their own cash, leading to issues of indebtedness (Finney, Collard, and Kempson 2007; Rast 2000).

2.3.2.3 Property/Homeowners insurance

Aside from emergency funds, undertaking the relevant insurance policy on a valued asset acts as a cost-effective buffer or as a contingency approach, should an unexpected event take place such as a fire or burglary. An individual’s home represents a substantial form of asset, notably as it is commonly perceived that over time, the value of property generally tends to rise. Therefore, it is worthwhile to purchase property coverage to protect both real property and personal property.

2.3.2.4 Disability income insurance

Aside from protecting one's dwelling from an unexpected event, another financial consideration is to protect income resulting from disability. If an illness or accident occurs, it may result in temporarily being unable to work as recovery takes place, or one may be faced with an early retirement due to the extent of injury or illness. Either way, the livelihood and income of the individual is affected. Disability insurance can help to mitigate such losses in income, as practitioner Patrick Hehir states "Disability insurance protects the largest asset people own: their ability to earn an income" (Opiela 2004, p. 41).

A previous study, however, shows the relative unpopularity of disability insurance, whereby life insurance appears to be more popular than disability insurance, with 80 percent undertaking life insurance while only 22 percent had long-term disability policies (Cox 1991 as cited in Altfest 2007). This was despite the likelihood that the costs of sustaining a family is higher, when "the disabled family member is living than when that person dies…" (Altfest 2007, p. 306).

2.3.3 Investing For Goals

Investing for goals refers to planned events, expected to occur in the intermediate or long run. These may include investing a down payment on a house, investing for children's university fees or ensuring sufficient funds for retirement. These future events should be identified as comprehensively as possible in the first stage of the planning process; that is, when establishing the client's objectives to avoid diverting funds to short-term goals only.

One particular important future event that should be planned for, and not overlooked, is retirement. In the golden years, when productivity and employability diminish, it is important to have sufficient retirement income to avoid dependency on social services or community-based assistance, if available. This is especially pertinent in the current era of technological and medical advancement, which has improved life expectancy over the years. Additionally, individuals are increasingly expected to manage and become responsible for their own retirement. Realization of the importance of retirement planning is evident in surveys, where respondents were asked about their motivation for hiring a financial professional and the rationale for beginning to plan their finances. Here, respondents appear to rank retirement planning or a desire to build a retirement fund as the main reason (Certified Financial Planner Board of Standards 2004, 2009).

To achieve retirement planning objectives, the following steps[7] noted by Altfest (2007), are generally carried out to ascertain if retirement funds are sufficient, given current savings and retirement plans.

1. Review retirement goals.
2. Establish risks and tolerance levels[8].
3. Determine rates (such as inflation rates) and ages to be used for calculations.
4. Develop retirement incomes, expenses and desired capital withdrawals.
5. Calculate lump sum needed upon retirement.
6. Identify current assets available at retirement.
7. If retirement expense exceeds expected income, the following should be undertaken:
    a. Calculate the shortfall, in terms of annual savings.
    b. Compare the desired annual savings computed in Step 7a, with current annual savings.
8. Reconcile needs and resources, with consideration of changes to strategies or retirement expectations. Among others, Altfest (2007) and Mittra et al. (2005) outline that these strategies and expectations may pertain to:
    - Increasing the amount saved for retirement.
    - Adjusting the investment portfolio to gain a higher return, with respect to individual risk tolerance.
    - Delaying retirement, or working part-time during retirement.
    - Lowering the level of future retirement income or desired standard of living.

    However, if a surplus of expected retirement income over expenses exists, it may provide opportunities to retire early, divert amounts to other saving objectives or adjust living standards, be it at retirement or at the present period.

[7] Note that the steps have been reduced from 11 steps to 10 steps to facilitate better understanding.
[8] Longevity risk, health risk, and inflation risk are examples of risks that need to be considered within retirement planning.

9. Finalize plan and implement.
10. Review and update

However, instead of thoroughly going through steps 2 to 4 above, numerous rules of thumb or ranges of retirement income levels are commonly used. For example, the US Department of Labor (n.d.) highlights a rule of thumb of 70 to 90 percent of pre-retirement income, depending on the desired standard of living, while the Centre for Retirement Research (2006) estimates 65 to 85 percent of pre-retirement income will be required to maintain pre-retirement living standards, depending on marital status and income level. Further, Mittra et al. (2005) note that the rule of thumb is generally 60 to 70 percent of *preretirement expenditure*s, instead of *preretirement income*, while Greninger, Hampton, Kitt and Jacquet (2000) in a Delphi study of financial planners and educators, highlighted a majority (81 percent) of those surveyed, noted 70 to 89 percent of pre-retirement expenditures, as being useful estimates.

Despite the convenience, using rules of thumb and generalised ranges could be misleading. Firstly, it does not recognize that certain categories of expenditures may change between one's pre-retirement income and retirement income. For instance, an individual may decide to pay off all mortgage owed before retirement, requiring a lower retirement income. Secondly, it assumes people will aspire to the same level of expenditure or lifestyle after retirement while in reality, the individual may aspire to spend more, such as travelling around the world (Mittra et al. 2005). Additionally, health and custodial expenses may increase considerably post-retirement (Hallman and Rosenbloom 2003).

The preferred approach advocated by Mittra et al. (2005), and implied in Altfest (2007), is for individuals to estimate retirement expenditures in a budget format, which allows for personalised fine-tuning to reflect the estimated amount the particular individual needs post-retirement, rather than a generalised figure extracted from the ranges.

Aside from retirement objectives, other intermediate and long-term objectives may include investing for education. This objective is especially important considering that for a family living in poverty, education plays a crucial role in moving individuals out of the poverty cycle.

All in all, whatever the 'future period' event, one of the critical aspects in planning for the future relates to the assumptions made. Due to the uncertainty of financial and economic conditions in the long run, key assumptions such as inflation rate, life expectancy, increases in education fees and expected investment returns are crucial in estimating as accurately as possible the amount required to save.

2.4 BEHAVIOURAL STUDIES ON SAVINGS AND DEBT

2.4.1 Behavioural Studies on Savings

As reflected from the LCH and buffer-stock model described earlier, economic research related to savings generally involves the creation of an economic model that attempts to explain consumers' saving behaviour at an aggregate level, under the assumption that individuals act both rationally, and towards maximizing utility (Saving 1999). Unfortunately, one of the features of economic theories or models related to savings, is that it ignores population heterogeneity, whereby such models or theories only include one saving motive within each model (Xiao and Noring 1994). For instance, in the LCH, the main saving assumption is that households save for retirement purposes, while the buffer-stock model highlighted saving for emergencies as the dominant explanation for household savings. Kurz (1985, p. 325) notes that in fact "…there is extensive heterogeneity of preferences across the population. This is the reason why polar hypotheses about behaviour, which are assumed to apply uniformly, tend to be rejected by the data."

Another branch in the study of savings, other than through economic theories or modeling, is the psychological or behavioural research related to savings, and one of the areas looked at, relates to saving motives. The study of saving motives goes back to Keynes (1936), who outlined eight motives explaining why individuals save.

i. Precaution: saving for unknown events or contingencies.
ii. Foresight: saving for known events such as children's education and retirement.
iii. Calculation: saving to enjoy a higher consumption in the future, due to interest and appreciation of wealth.
iv. Improvement: saving to enjoy a gradually, higher standard of living in the future.

v. Independence: saving for the intention of attaining a sense of power to perform certain actions, or to attain some form of independence.
vi. Enterprise: saving for business or speculative intentions.
vii. Pride: saving for bequest.
viii. Avarice: saving due to miserliness.

Other studies either add to or lessen the above listings. For example, Browning and Lusardi (1996) add 'the downpayment motive' in describing saving for future purchase of durable goods such as cars or houses.

The importance of acknowledging the various saving motives or heterogeneity of savings is exemplified by the lack of savings for retirement. Samwick (2006) in analysing the Survey of Consumer Finances, in the US between 1989 and 2001, state three dominant saving motives persist. These motives are saving for retirement, saving for liquidity (emergencies) and saving for specific purchases (such as education and homes)[9]. The latter two competing saving motives help to explain why retirement savings are fairly low, as indicated by the median amount of financial assets of those approaching retirement (age 55-64), which the author argues is only sufficient for less than a year's worth of income. The existence of these competing motives for savings implies that any theories and studies related to savings cannot ignore the heterogeneity of savings.

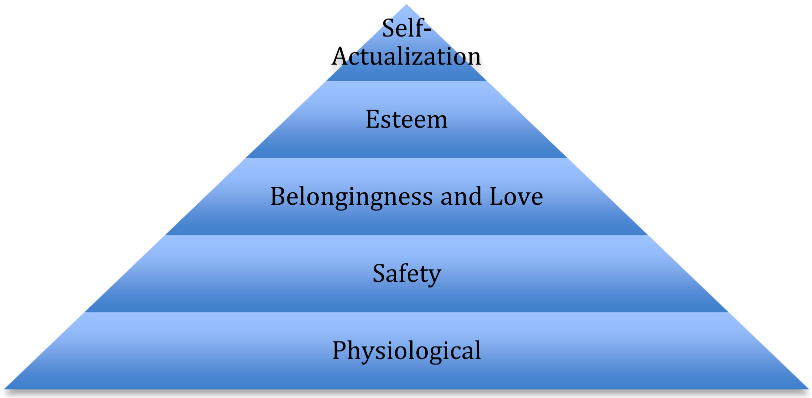
In acknowledging that households have numerous saving motives, Xiao and Noring (1994) analysed the perceived saving motives of a representative US sample, and the extent of variation of these saving motives with respect to demographic, life cycle and financial variables. In their study, the conceptual framework used was that of Maslow's Hierarchy of Needs.

Within the Hierarchy of Needs theory, Maslow (1954) argued that individuals were motivated by a hierarchy of needs, categorised within two sets of biological needs: basic needs and growth needs. Basic needs, also known as deficiency needs, reflect

[9] The dominance of the three saving motives is gauged from the respondent's answer as to, what is the household's most important reason to save. Across all years (1989-2001), on average, saving for liquidity is stated as the most important reason by about 32% of the population, while saving for specific purposes ('Education', 'For the family', 'Buying own home' and 'Purchases'), and saving for retirement was deemed most important by around 29% and 25% respectively. However, for the latter two, over the last two years (1998 and 2001), their importance notably hovers at, or just above 30%.

the notion that needs at the bottom of the hierarchy must be satisfied first, before other needs take a higher priority. These deficiency needs include physiological needs, safety needs, belongingness and love needs, and esteem needs (Hierarchy of Needs 2001).

Figure 2.2 Maslow's Hierarchy of Needs



At the base of the hierarchy lie the physiological needs, which generally relate to the need to satisfy hunger, thirst and sex. After fulfillment of physiological needs, safety needs become prevalent. These include a need for protection, justice/law, structure/organization and freedom from anxiety. The third deficiency need, belongingness and love, relates to the need for social and emotional relationships in the sense of establishing affection with people. Meanwhile esteem needs, which represent the final category within the context of basic or deficiency needs, involve two types of esteem needs; one that relates to self-esteem or self-respect, competency and desire for respect of individual achievement. The other type involves evaluation from others that hinges on reputation or prestige (Hierarchy of Needs 2001; Maslow 1954).

The self-actualization needs, representing growth needs, comprise of the desire to achieve one's potential, that drives individuals towards a sense of self-fulfillment. Towards conceptualising this, Maslow (1954, p. 91) stated, "A musician must make music, an artist must paint, a poet must write, if he is to be ultimately at peace with himself. What a man can be, he must be".

Xiao and Noring (1994) using responses to the question, 'What were the household's most important reasons for savings?', analysed after a series of coding, six dummy variables which the authors named:

1. Daily: saving for daily expenses.
2. Purchase: saving for purchases.
3. Emergency: saving for emergencies.
4. Retire: saving for retirement.
5. Child: saving for children or grandchildren.
6. Grow: saving for a higher standard of life, better life or other intangible reasons.

Their analysis shows that financial resources such as income and net worth, displayed a particular pattern with respect to the more prevalent saving motives, as shown in Table 2.3.

Table 2.3 Financial Resources and Perceived Saving Motives

Income	**Saving Motives**	**Net Worth**	**Saving Motives**
Low	Daily	Lowest 25%	Daily, Purchase
Medium	Emergency	Mid 50%	Emergency
High	Retire, Child, Grow, Purchase	Highest 25%	Retire, Child, Grow

With the exception of 'purchase', the study appears to indicate that as financial resources increased, the perceived saving motives shifts from saving for daily expenses, to saving for emergencies, and further on towards saving for retirement, children and growth. If the perceived saving motives in this study are seen as indicators of households' financial needs, the results reflect a form of hierarchical needs, in line with Maslow's Hierarchy of Needs.

Xiao and Anderson (1997) also included Maslow's Hierarchy of Needs within their conceptual framework, in attempting to understand the types and levels of financial assets held by households. The authors divided financial needs into three groupings: survival, security and growth needs, and posited that as financial resources increased, households would become interested in financial assets with a higher risk-reward structure. In such a case, the survival needs (represented by checking accounts) and growth needs (represented by shares and bonds) would fall in line with Maslow's deficiency and growth needs respectively. Their findings highlighted the presence of a hierarchy of financial needs, assuming that shares of financial assets are taken as a proxy for financial needs. In other words, as financial resources increase, consumers appear to pursue higher-level needs, and the respective financial assets.

With respect to the above two studies, it would be interesting to identify factors or conditions that can assist households towards moving up the hierarchy of financial needs in general, and towards enhancing their saving behaviour, in particular. For example, Fisher and Montalto (2010) in their study of the impact of saving horizons and motives, in relation to saving behaviours, found that there is a significant relationship between longer saving horizons and saving behaviours. In other words, the farther the distance one's saving horizon is, the greater the likelihood of savings on a regular basis. Unsurprisingly, their analysis also indicated that having a retirement motive significantly increases the chances of saving regularly.

This finding appears to fall in line with a practical understanding of behavioural issues in retirement, whereby myopia and inertia are deemed as significant behavioural barriers that leave individuals to focus on working-age financial needs, and subsequently, leading to a lesser consideration of long-term needs such as that of retirement (Department of Work and Pensions 2009).

Additionally, Fisher and Montalto (2010) also found that saving for emergencies significantly increased the likelihood of saving regularly, although no explanation was provided as to how saving for emergencies can lead to, or is linked with, regular savings. For instance, it would be interesting to note if the same individuals who save for retirement, are also those saving for emergencies, to the extent that a common variable such as the ability to plan one's finances is identified within both saving motives. Further, the authors also found that adverse health has a significant, negative impact on savings. This particular finding emphasises the importance of emergency planning and more specifically, having the relevant insurance policies to mitigate financial adversity related to health issues.

Similar to Fisher and Montalto (2010), saving horizons were also found to be a significant factor in Rabinovich and Webley's (2007) comparison of two groups of respondents in the Netherlands and Belarus, towards explaining the variation of those who planned to save and achieved relative success, versus those who planned but failed to save. Further, another interesting aspect of their study relates to expenditure control techniques, used by those who planned and experienced relative success in their savings. Their findings show that successful savers tend to utilise techniques that were psychologically easier and required minimal daily effort, such as automatically transferring a portion of income to another bank account (in the case of Netherlands) or changing savings to a different currency (in the case of Belarus[10]). Meanwhile, those who were not successful were likely to control their expenditures by using 'minor shopping-related techniques', which included returning purchased goods, avoiding shopping, and keeping limited cash on oneself, which the authors argue, though such techniques were seemingly simpler, would require daily effort and psychological will-power.

One of the frameworks within their study is the Behavioral Life-Cycle (BLC) hypothesis put forward by Shefrin and Thaler (1988), where among others, the BLC notes pre-commitment devices[11] will require less willpower effort, leading planning one's savings to be more effective. Additionally, by placing the amount in a different savings account or currency, it also links with the mental accounting aspect noted in the BLC, where not only does having different accounts (or currencies) make spending physically complicated, but it also creates a psychological view of money, especially if one distinguishes 'wealth' accounts from 'income' accounts, with the former being less tempting than the latter (Rabinovich and Webley 2007; Shefrin and Thaler 1988).

Although Fisher and Montalto (2010), and Rabinovich and Webley (2007) provide some insights into factors that contribute towards savings behaviour from a behavioural or psychological perspective, a limitation of both studies lies in their categorisation of respondents deemed 'regular savers' and 'successful savers'

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[10] In Belarus, the procedures related to opening a bank account are complicated, while changing to a different currency achieved a similar outcome towards controlling expenditures.
[11] Pre-commitment devices pertain to techniques that restrict future choices, such as automatic transfer of funds to another bank account.

respectively, as neither study used dollar measurements to differentiate regular/successful savers, versus those who were not. For example, Rabinovich and Webley (2007), within their Dutch data, considered savers as 'successful' as long as they reported any particular saving amount, regardless of whether the figure equates to their intended saving target. Further, with Fisher and Montalto (2010), it would be more interesting if the authors were able to differentiate 'regular savings' by varying categories or quartiles of amounts saved, to ascertain if the same results persisted.

Insights deduced from behavioural studies on savings are not limited to developed countries. Soman and Cheema (2011) analysed the effects of earmarking salaries of construction workers in rural India, by partitioning a specified amount of their salaries as savings into a different envelope, separate from the envelope used to place their weekly salaries. They also placed pictures of the workers' children on the savings envelope to gauge their savings behaviour over a period of 14 weeks. The results showed that in general, partitioning salaries led to higher savings. Furthermore, the result indicated that those provided with a visual reminder of their savings objective tend to save more. The study highlights not only the effects of behavioural interventions on savings, such as the use of earmarking, but also the importance of adapting techniques to the local context of the area under study.

2.4.2 Behavioural Studies on Debt

Aside from savings, numerous behavioural and psychological studies related to personal debt have provided insights into understanding the behaviour of individuals. For instance, Xiao, Sorhaindo and Garman (2006), in assessing the financial behaviours of consumers in credit counselling, found that four financial behaviours increased financial satisfaction. These were: the creation or development of a financial plan for the future, reduction in personal debts, an increase of savings or beginning to save, and contacts with a financial planner.

Meanwhile, financial behaviours such as contributing to an employer retirement plan and participating in flexible spending programmes were found to negatively affect financial satisfaction. The authors contend these latter two are negatively associated with satisfaction, as there is a hierarchical pattern of financial behaviour as suggested in Hilgert, Hogarth and Beverly (2003). This hierarchy of financial behaviour refers to a tendency for individuals to manage spending and reduce debt, before saving and investments come into play. With regards to Xiao et al. (2006), a breakdown of this hierarchy leads to dissatisfaction for the credit counselling consumers, who find their income diverted to an employer retirement plan and flexible spending programmes. In such a case, as a first priority, it is suggested that counsellors need to focus on reducing debt and spending, before retirement savings and other investments are considered.

In the context of reducing financial stress amongst the credit counselling consumers, other than by reducing debt, the authors found that creating and following through a financial budget helped to reduce financial stress (Xiao et al. 2006). The importance of effective budgeting is also highlighted by Livingstone and Lunt (1992), when differentiating between debtors and non-debtors, whereby debtors were more flexible in their budgeting, adjusting their decisions when new issues or unexpected events emerged, while non-debtors would be more rigid, sticking to a general budgeting strategy or plan. Unfortunately, the study did not highlight any existence of emergency planning, in terms of emergency funds or insurance, which may provide further insights or explain the variation between the strategies of debtors and non-debtors.

The importance of money management within the realm of debt, is also found to be significant in Lea, Webley and Walker (1995), where they assessed the importance of social and psychological variables such as attitude towards debt and social comparison ('Keeping up with the Joneses'), with regards to debt. Their study analysed customers of a public utility company, differentiating customers into degrees of debtors and non-debtors, and found that in general, the psychological and social variables were not significantly associated with the debt categories. Interestingly, the most significant factor differentiating debtors and non-debtors was, in their study, the availability of money management facilities, such as bank accounts, and money management skills[12].

[12] Unfortunately, the authors did not include budgeting as one of the strategies stated in the questionnaire, and instead focused upon use of pre-commitment methods and putting money aside for bills, among other money management strategies. This is somewhat perplexing considering that budgeting is considered an essential tool in money management.

Further, Lea et al. (1995) also found the use of low-status credit as being significantly associated with debt, be it at a smaller degree. In their study, debtors were more likely to use hire purchase or door-to-door moneylenders than credit cards. In this instance, it is argued that the former generally charges higher interest rates, making debt management somewhat burdening.

The authors also stressed the importance of early experiences with debt, as the debtors in their study had parents who were relatively well off but became independent of their parents earlier than non-debtors (Lea et al. 1995). The importance of the family's early financial situation in the context of debt, is also highlighted in Tokunaga (1993). Here, individuals who faced debt issues came from families with no financial distress, and instead of being role models towards using debt, the relatively well-off early family experiences with debt might have lacked the provision of examples of how to use debt positively. However, this argument appears somewhat speculative, as one may also argue that parental experiences may have included examples of managing debt effectively, but which the individual chose to ignore. Nonetheless, the importance or influence of family members in personal finance cannot be underestimated, as families and friends are noted as main sources from which households gain personal financial knowledge (Hilgert et al. 2003).

2.5 EMPIRICAL STUDIES ON SAVINGS, DEBT AND PLANNING

2.5.1 Empirical Studies on Savings

Aside from economic and behavioural studies related to savings, empirical studies on savings have also provided some insights into understanding savings even further. For instance, Kempson and Finney (2009) analysed non-retirement saving within a lower-income group in the United Kingdom (UK), examining factors that encourage savings on a regular basis and on a higher level. The authors found that although in some cases having a low-income level was a factor in being unable to save, this reason by itself was not sufficient to fully explain the lack of savings. This is because despite the contrasting differences in income, there are instances where poor households consider their financial situation to be 'comfortable' while some relatively affluent households were in financial difficulty (McKay and Kempson 2003).

Kempson and Finney (2009) state that having a low disposable income as a factor for not saving, may genuinely be true for extremely low-income households but for others, the inability to save is likely to be due to other priorities. This is reflected in the Baseline Survey of Saving for and by Children (BSSC), where those reporting to have no money left at the end of the week, tended not to save. However, there exist those who *always* had some money left, and those who had money left over *often*, but yet did not save at all. The authors state the lack of savings is due to the higher priority given to spending, such as that evident in the BSSC, where within the lower-income families sample, the chances of not saving any amount at all was more likely if respondents disagreed strongly with the statement 'I am a saver not a spender', compared to those who strongly agreed. However, this argument is relatively weak due to the nature of the statement, 'I am a saver not a spender', whereby there may be individuals who intend or have a desire to save but, as noted earlier, consistently have no money left over, and may have concluded that they are spenders, due to their circumstances, in contrast to habitual or impulsive spenders.

However, the authors did substantiate their argument further by citing other studies such as Whyley and Kempson (2000), whom assessed saving behaviour of low-to-middle-income people and found saving was the first component to be reduced in favor of spending, and that only a minority prioritised saving over spending. Nevertheless, a close reading of Whyley and Kempson (2000) highlighted the point that short-term savers, who took their savings out, were likely doing so to cover their household bills and expenses. In this context, it would have been more convincing if the authors differentiated between spending for daily/living expenses and bills, vis-à-vis those of a non-essential nature, which would have strengthened the argument that the lack of saving is due to an impulsive/habitual spending nature, rather than spending out of necessity.

A main challenge, Kempson and Finney (2009) argue, is to encourage those who were 'saving to spend', to start saving for non-specified purposes such as for emergencies, and to extend their saving horizons. In this context, encouraging children to save for a rainy day from a young age is an important move towards inculcating the saving habit and to value saving as they get older. Where adults are concerned, initiatives that provide realistic saving targets and a routine towards making deposits grow into a formal account could encourage regular saving behaviour. Their analysis showed that the types of formal financial product preferred by respondents are those that motivate depositors to avoid withdrawals but equally, do not overly penalise if an emergency withdrawal was essential. The exception to this type is when their intention is to save for a specific purpose, where the money will be used in the distant future.

With respect to the above preference, the authors extensively analysed the Saving Gateway[13] pilots, whereby matched savings (for example, 50 pence matched for every pound saved), and bonuses (upon reaching a certain level of savings) were more popular as an incentive towards increasing the level of saving and encouraging regular saving, compared to interest rates *per se*. Its popularity amongst participants is attributed to the ease of understanding the saving structure. Further, the lack of popularity of interest rates can be understood in the context of the small amounts deposited by most respondents, whereby the rate of interest provides minimal returns to incentivise them (Kempson and Finney 2009).

Another interesting finding in their analysis highlights the importance of having varying financial solutions, where in the first Saving Gateway pilot, a reference group was asked which factor had the greatest impact on their saving decisions. It was found that financial incentives, such as matching savings, were most popular for those better off, while those struggling financially viewed an increase in income as the main factor that would greatly affect their decision to save. This implies the importance of ensuring the relevant saving strategy or solution be personalised for the relevant groups of savers, to encourage the desired saving behaviour and avoid a one-size-fits-all solution.

2.5.2 Empirical Studies on Debt

Any discussion on financial behaviour is not complete without noting the role of debt. Kempson, McKay and Willitts (2004b) analysed the characteristics of families in debt in the UK using five datasets, focusing on those failing to keep up with household bills or other such commitments, in contrast to consumer credit. The authors state that

[13] The Saving Gateway is a UK government-supported saving scheme, aimed at encouraging savings among low-income individuals, matching 50 pence for every pound deposited. Prior to its implementation, two pilots was carried out to assess saving behaviour and improve upon the scheme upon implementation (H M Treasury n.d.).

the only factor that protects families from arrears, aside from not taking up credit and keeping one's job, is by having savings. In the Families and Children Study (FACS) dataset, in comparison to those saving £50-£100, the chances of being in arrears are 1.7 times higher if savings were less than the above figures. Further, "…those with above £5,000 had well under half the odds, falling to one-third the odds for those with £10,000 or more in savings." (Kempson et al. 2004b, p. 33). This finding highlights the importance of emergency planning and more specifically, emergency funds, in the context of household commitments. Therefore, saving programmes, such as the savings gateway that may help increase the level of savings of low-income households, and create a savings culture, are critical.

In the context of money management, two types of approaches have been observed among low-income families with children in handling bill payments. Bill-jugglers are those who pay some creditors at the expense of others, while the second type strives to tighten their expenses, to avoid borrowing or being in arrears. In general, the latter were more likely to avoid arrears than bill-jugglers (Whyley, Kempson, and Herbert 1997 as cited in Kempson et al. 2004). Rather than increasing chances of avoiding arrears, the bill-juggling approach is more likely to compound the situation further, as creditors can easily confront debtors with legal claims. A suggested approach is to create a statement indicating total household payments that need to be made, and funds available for creditors whereby such goodwill, instead of evading creditors, may lead to informal arrangements to either defer payments or refinance the debt (Mittra et al. 2005).

2.5.3 Empirical Studies on Financial Planning

In terms of the financial planning model noted earlier by Chieffe and Rakes (1999), there appears to be some form of hierarchy, at least in terms of financial advice provided by some financial advisers. Interviews with 45 financial intermediaries in the UK, when asked about their retirement advice to low-income individuals, generally noted it would depend on the financial situation of the individual and the amount available to save for retirement. In addition, a small number of financial advisers noted it also depends upon the financial priorities of the individual, whereby a higher priority may pertain to having adequate insurance for the spouse or children's financial security rather than a pension plan, while others advised building up savings for emergencies prior to saving for retirement (Kempson and Collard 2005). Although the above advice may appear intuitive in view of the need to cushion financial shocks, and avoid diverting retirement savings towards other purposes, it does provide a measure of thought, as to whether initiatives to combat poverty through personal finance in general and financial planning in particular, should consider a hierarchical approach to ensure a sustainable escape from poverty.

In the above study, unfortunately, although the majority of advisers stated they would provide advice to anyone, irrespective of income, in reality hardly any retirement advice they provided was directed towards low-income individuals. Part of the reason lies with the economics or profitable aspect of the business. The main target group of the financial institutions in this context is generally the relatively well-off, earning annual incomes of £15,000-£20,000 and above, whereby some of the institutions feel individuals on low income are uneconomic to serve, due to the small amount of money they are able to invest, resulting in a low commission. Others highlight the "de facto exclusion" of affordability, where lower-income individuals "…could not afford to pay fees for advice. Similarly, if consumers could not afford to save for retirement, they tended not to seek advice." (Kempson and Collard 2005, p. 22)

Another reason explaining the lack of financial advice on retirement plans, as noted by financial institutions, is the public's mistrust and apathy towards pensions, pension advisers and providers. The degree of apathy is also evident in the case of low-income individuals, as reported by financial institutions that conduct presentations in the workplace, where although promoting their products to lower-income individuals, the interest is lacking, even when employers make contributions to the pension fund. The sense of apathy and lack of trust can be understood, at least in the UK context, from media reports of pension mis-selling, declining stock markets and the public's generalisation of negative reports related to pensions, among others, that as a whole contribute to the lack of consumer confidence (Kempson and Collard 2005). Interestingly, the above issues of affordability and apathy highlight a rather unusual demand and supply challenge faced by institutions involved with financial advice. On one hand, the general inertia towards retirement advice, means that retirement products must be 'sold' rather than 'bought', and on the other, 'selling' the product is deemed to be profitable only, if sold to the affluent market, to the disadvantage of the less well off.

In addition to financial advice, it is equally pertinent to empirically ascertain the importance of financial planning. Although in the past, financial planning is generally synonymous with very few, if any empirical studies, it may well be changing with the increasing need to understand savings behaviour. For instance, Elder and Rudolph (1999) hypothesised that those who did not plan for retirement may belong to the 'surprise group', who will find retirement funds to be insufficient to sustain their standard of living, and who are therefore forced to make downward adjustments to their spending or consumption patterns. Using data from the first wave of the Health and Retirement Study in the US, their findings indicate a positive relationship between retirement planning and retirement satisfaction, even as income, health, marital status and wealth are taken into account.

However, their evidence of retirement planning is derived from responses to two survey questions, inquiring onto (1) the degree of thought given to retirement, and (2) attendance of meetings on retirement/retirement planning. With respect to the two questions, although thinking about retirement can be argued as a prerequisite for planning, it is difficult to argue that attending meetings on retirement does constitute actual planning. Nonetheless, their argument lies in the assumption that these two variables have a correlation with effective decision-making.

In terms of financial planning as a whole, Ameriks et al. (2003) investigated the relationship of financial planning and wealth accumulation, to ascertain whether variation in household wealth can be explained by financial planning, that is those with a propensity to plan. They found that not only is there a clear association between planning[14] and wealth accumulation[15], but the authors also ascertained the direction of causality, whereby planning leads to wealth accumulation. This direction of causality is proven, as they found no evidence to the reverse causality theory, which suggests that impacts on wealth (such as attaining inheritance) led to planning.

[14] Measured by analysing responses to the statement/question 'I have spent a great deal of time developing a financial plan' and 'Have you personally gathered together your household's financial information, reviewed it in detail, and formulated a specific financial plan for your household's long term future?'.
[15] Measured by net worth and gross financial assets.

Further, using a general question[16] on saving and an economic definition[17] of saving as proxies for saving, the authors also found that households with a propensity to plan tend to save more. In other words, their series of regression results indicated that planning helps to explain why similar households have huge variations in wealth.

The same results were found in Lusardi and Mitchell (2007a) using wealth data from two cohorts of the Health and Retirement Study, in comparison to Ameriks et al. (2003) use of TIAA-CREF[18] sample of participants. Using net worth as a proxy for wealth in a bimodal analysis, as well as net worth, non-housing wealth and housing equity as proxies for wealth in a multivariate analysis, the authors found that planning is associated with wealth holdings.

Interestingly, the proxy taken to indicate planning behaviour is the question 'How much have you thought about retirement?' whereby the possible answers are 'A lot', 'Some', 'A little', and 'Hardly at all'. The authors contend that thinking about retirement may help explain the distinct variation in retirement wealth shown in their analysis, by highlighting psychological research by Gollwitzer (1996; 1999 as cited in Lusardi and Mitchell 2007a), at which Lusardi and Mitchell (2007a, p. 220) note:

> "[P]eople are more likely to achieve goals and translate their intentions into actions when they develop concrete plans. One striking finding from the psychological research is that a simple planning activity, such as getting experiment subjects to write down the specific steps they will take to implement a task, can greatly increase follow-through."

The variation of wealth holding is reflected to the extent that even a 'little' thought or planning relates to a sizeable wealth holding, in comparison to non-planners. The authors also tested reverse causality, that is whether wealth itself led to planning, and found the wealth effects on planning to be small, when treating the act of planning as a dependent variable, and either negative or statistically insignificant, when an

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[16] Question: 'On average over **the past five years** has your total household spending (i.e., all spending including debt or mortgage payments) been **more** or **less** than the after-tax income that your household has received from employment? (In other words, did you spend more than your income from employment and rely on other financial assets to cover your household spending, or did you spend less and rely solely on your employment income?)'

[17] Computed using detailed financial information from their survey of participant finance, taking into account variables such as income from assets and employer contributions to benefit plans, which were excluded from the general question on savings.

[18] Abbreviation for 'Teachers Insurance and Annuity Association, College Retirement Equities Fund'.

‘exogenous’ variable (regional changes in housing prices[19]) of wealth is used. In other words, similar to Ameriks et al. (2003), they found no evidence indicating reverse causality.

2.6 FINANCIAL LITERACY

2.6.1 Financial Literacy and Planning

Aside from an increased interest in studies related to savings and financial planning, recent years have witnessed growing interest and research carried out on financial literacy, notably with the increasing responsibility placed on individuals to make their own decisions regarding key financial events. Studies of financial knowledge or literacy, such as Lusardi and Mitchell (2007a), indicate that those who are knowledgeable on finance, such as knowing about compounding, tend to plan their finances better and affect wealth accumulation.

The Organisation for Economic Co-operation and Development (2005 as cited in Lusardi and Mitchell 2007b, p. 36) defines financial education as:

> “…the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being”.

Current research on financial literacy has provided insights, which may assist in creating policies that facilitate better decision-making by individuals. In the US, for example, studies have indicated low levels of financial literacy among certain groups. For instance, the National Council on Economic Education (2005) found women had lower scores than men, and Hispanic as well as black students/adults, appear to have lower scores than white students/adults respectively[20]. In other studies, seemingly basic financial questions highlighted alarming issues of financial illiteracy. Lusardi and Mitchell (2007a) in assessing early baby boomers, aged 51-56 found that 17.8%

[19] The authors contend that such an ‘exogenous’ variable must be “uncorrelated with unmeasurable unobservables in the error term but correlated with wealth” (p. 221). Housing prices was deemed ideal, as housing equity represents a crucial fraction of net worth, notably for the Early Baby Boomer cohort.
[20] Note that the socio-economic background of those likely to be financially illiterate is described further in Section 2.6.2.

were able to correctly answer a basic compounding question (Compound Interest[21]) and only 55.9% accurately answered a question related to divisions (Lottery Division[22]).

The authors found that knowledge on compounding interest is the most important variable, among four types of questions[23] asked, as it is statistically significant across groupings of retirement planners, while those who were not able to answer the 'lottery division' question correctly, were likely to be non-planners. Studies such as these and increased concerns about financial illiteracy, have led to policy implications such as the establishment of the Financial Literacy and Education Commission in the United States, as well as proclaiming April as 'National Financial Literacy Month' by President Obama in 2010, among others (The Jump$tart Coalition for Personal Financial Literacy n.d.; U.S Department of The Treasury 2009).

Although findings of financial literacy studies provide some insights that affect policies and individuals' decision-making processes, the type of questions posed in financial literacy studies tend to largely leave out elements of financial planning. For example, the National Council on Economic Education (2005) list 24 questions to respondents, of which only 1 relates to financial planning *per se*, while Mandell's (n.d.) analysis of the findings of the 2008 National Jump$tart Coalition Survey on financial literacy of young American adults, posed 31 questions, where less than 3 can be considered related to financial planning. It may well be argued that if financial planning does significantly affect financial behaviour and savings, a conclusion which studies such as Ameriks et al. (2003) and Lusardi and Mitchell (2007a) appear to support, assessment of financial literacy should include testing the capability of individuals in planning their finances.

Table 2.4 highlights the type of questions posed in the respective financial literacy studies.

[21] Compound Interest: Let's say you have 200 dollars in a savings account. The account earns 10% interest per year. How much would you have in the account at the end of two years?
[22] Lottery Division: If 5 people all have the winning number in the lottery and the prize is $2 million, how much will each of them get?
[23] Other questions include a percentage computation and a political literacy question (to gauge future tax and macro-economic prospects).

Table 2.4 Summary of Questions in Selected Financial Literacy Studies

Author (Date)	Types of Questions	No. of Financial Planning Questions
National Council of Economic Education (2005)	Economics and the Consumer (5 Questions) Factors pertaining to production (5 Questions) Money, Interest Rates and Inflation (4 Questions) Government and Trade in Economics (6 Questions) Personal Finance (4 Questions)	Budgeting-related: 1 Question Emergency Planning: None Retirement Planning: None
Lewis Mandell (n.d.)	Understanding Income (7 Questions) Understanding Money Management (2 Questions) Understanding Insurance (3 Questions) Understanding Savings and Investments (8 Questions) Understanding Spending and Debt (11 Questions)	Budgeting-related: 1 Question Emergency Planning: 1 Question Retirement Planning: None

One of the challenges noted in financial literacy is the lack of standardised measurements, for there appears to be a lack of agreement and research on what should be included in financial literacy studies or assessments (Cole and Fernando 2008; Volpe, Chen, and Liu 2006). Volpe et al. (2006) highlight limitations of past research which includes only 5 to 10 questions, as well as studies which had been created by financial services companies to focus primarily on their business area, and which fail to include other aspects of personal finance or financial literacy. Although the latter argument is reasonable, the former argument of having only 5 to 10 questions as a limitation is debatable, as it depends on the ability of each question to capture certain aspects of financial literacy. For instance, with reference to Lusardi and Mitchell’s (2007a) seemingly simple questions related to compounding and divisions, it provides a strong indicator of an individual’s financial decision-making output (Cole and Fernando 2008), as highlighted earlier, where the association of literacy, planning and wealth accumulation is concerned.

All in all, financial education or literacy may play a role in influencing financial behaviour, such as towards retirement planning but, in itself, may not be sufficient. Lusardi and Mitchell (2007b) argue that simply delivering financial knowledge is insufficient, considering that individuals may themselves have difficulties following up on planned actions. The difficulties of financial literacy can be illustrated by the low financial literacy scores of young adults in the US, even after attending a course in personal finance. Every biennial Jump$tart survey since year 2000, showed that high school seniors who attended a semester course in personal finance or money management versus those who did not, were equally financially literate (Mandell and Klein 2007). The authors found that motivational variables helped to explain differences in the financial literacy scores, where students were found to have higher financial literacy scores, if their financial attitudes reflected the following beliefs:

- Poor decision making, such as not following a financial plan, leads to financial difficulties. Specifically, students with an internal locus of control (that is, those who believed financial difficulties occurred due to their own actions) scored higher than those with an external locus[24].
- A strong view on the importance of having funds to pay bills.
- Acknowledgement of the difficulty of having insufficient funds upon retirement.

Furthermore, it is also found that effective financial literacy is linked to the students' view of their future goals. Their results indicated that those who aspired to pursue a college degree, a higher salary or a professional job, were likely to have relatively higher literacy scores. Mandell and Klein (2007) contend that establishing clear personal objectives that young adults should consider and aspire to, may contribute to the effectiveness of financial literacy programmes. In other words, the goal-setting approach found in financial planning, is generally lacking in financial literacy programmes. The lack of motivation in young adults in this study and the importance of goal-setting in personal finance, highlight the argument that financial literacy should provide more weighting or consideration to financial planning practices, from goal-setting to the review process, when delivering financial literacy programmes.

Taken as a whole, although studies on financial literacy provide some interesting insights towards identifying those who are most vulnerable due to their financial illiteracy, and highlighted educational topics that require attention, unfortunately it appears that financial literacy studies only barely touch upon key aspects deemed

[24] In the latter, it pertains to students who felt such difficulties were largely out of their control.

important to financial planning. It would be more interesting, if not beneficial, should more studies and programmes on financial literacy incorporate financial planning aspects, given the relationship between literacy, planning and accumulation of wealth.

2.6.2 Who Is Financially Illiterate?

Understanding the socio-economic status of individuals who are likely to be financially illiterate may assist policymakers to focus and modify their strategies to assist those individuals, as well as avoiding a 'one-size-fits-all' solution.

i. Role of Educational Attainment

Intuitively, where discussions of knowledge are concerned, a primary variable investigated is education. Where financial literacy is concerned, educational attainment plays an influential role in determining who have lower financial literacy scores, as highlighted in numerous studies (Dvorak and Hanley 2010; Lusardi and Mitchell 2007a, 2007b; Lusardi, Mitchell, and Curto 2010; National Council on Economic Education 2005; The Social Research Centre 2008).

For instance, Dvorak and Hanley (2010), in assessing the literacy of employees of a college, on their understanding of retirement plans and investment options, found education to be the most significant determinant of financial literacy. Further, the higher the educational attainment (from 'high school' to 'some college education' to 'college degree' to 'graduate degree'), the higher the financial literacy scores.

ii. Role of Income and Wealth

The role of income and wealth in determining who is likely to have low financial literacy scores is exemplified in the study by The Social Research Centre (2008) in their analysis of financial literacy in Australia. Their findings indicated that financial literacy scores were lower for those with household incomes of less than $25,000 per annum, while those with $150,000 or more were associated with higher scores. Further, those with savings and investments of less than $2,000 (compared to those with $500,000 or more), as well as those on benefits or government allowances, scored relatively lower. Similar findings on the influences of income and wealth can be found in Dvorak and Hanley (2010), Lusardi et al. (2010) and Monticone (2010).

iii. Role of Gender

Numerous studies have highlighted there are gender differences among financial literacy scores; women are found to have relatively lower scores (Dvorak and Hanley 2010; Lusardi et al. 2010; National Council on Economic Education 2005; The Social Research Centre 2008). These findings are somewhat worrying, be it for women aged 23-28 (Lusardi et al. 2010), as well as those aged 70 years or over (The Social Research Centre 2008).

iv. Role of Age

There appears to be somewhat mixed findings as to whether age plays an influential role in determining one's financial literacy. For instance, some studies note the existence of an inverse U-shape, highlighting the middle-age group as being more financially literate than the relatively young or old (Hilgerth and Hogarth 2002; The Social Research Centre 2008), while Dvorak and Hanley (2010) did not find any association between age and financial literacy.

2.7 CONCLUSION

The above sections provided an overview of financial planning and the events or activities that are relevant in this study, essentially touching upon money management, emergency planning and investing for goals. Further, numerous economic, behavioural and empirical studies ranging across such topics as savings, debt to planning were reviewed. Additionally, a general discussion of financial literacy vis-à-vis financial planning was highlighted.

Within the review of the above literature, one of the main points worth re-iterating is the empirical evidence on the impact of financial planning, where there appears to be substantial support for the benefits of financial planning, leading to accumulation of wealth.

What is more relevant, at this stage, is to consider whether the role of financial planning can be expanded further to incorporate net deficit households (low-income households and those in poverty), notably within an Islamic financial planning context. Without consideration of how financial planning can help net deficit households, it is likely that net surplus households will benefit more from financial planning than net deficit households, whether due to apathy or affordability.

Therefore, the primary challenge for financial planning in general, and Islamic financial planning (IFP) in particular, is to evolve further, towards redesigning the framework of IFP and pushing the boundaries of IFP to make it effective for net deficit customers to escape from poverty, taking into account the availability of Islamic institutions or tools such as *zakat* and *awqaf,* and contemporary issues such as financial exclusion.

Chapter 3
FINANCIAL EXCLUSION

3.1 INTRODUCTION

In recent decades financial exclusion has developed into an area of interest for policymakers and academics alike. For instance, the Financial Services Authority (FSA) in the United Kingdom highlights that although mitigating financial exclusion is not their direct responsibility, there is a need to acknowledge that vulnerable individuals, such as those with low wages and the unemployed, face differing experiences and have varying expertise as financial consumers. Further, their circumstances require consideration, in terms of the impact of the FSA's regulations towards them (Financial Services Authority 2000a).

Similarly, in any study that aims to involve households with low-incomes and those in poverty, it is crucial to consider the relationship between low-income individuals/households and financial exclusion. This is especially relevant in the context of financial planning, because an important factor contributing to the effectiveness of financial planning is the availability of, and access to, financial products and services. For instance, if customers were financially excluded from using a *Shari'ah*-compliant mutual fund, this would inhibit planning for future goals, such as retirement.

Financial exclusion refers to "a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream[25] market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong." (European Commission 2008, p. 9). The term 'financial exclusion' does not exclusively refer to being denied access to financial services, as it may also refer to excluding oneself from using a financial product due to its inappropriate features or conditions (Kempson and Whyley 1999). In banking, there are two degrees of exclusion; the unbanked and the underbanked. The unbanked

[25] 'Mainstream' financial market relates to providers of financial products and services that are non-stigmatizing, while 'alternative' financial market pertains to providers that serve and exploit marginal financial customers, at which these organizations are either legal entities that comply with national rules and regulations, or unlicensed financial providers (European Commission 2008).

are those in ‘total financial exclusion’, not utilizing any mainstream financial products, and who resort instead to alternative or informal financial providers. Meanwhile, the underbanked are those having limited access to and use of mainstream financial products (Simpson and Buckland 2009).

From a developmental perspective, there is increasing interest among researchers and policymakers on the importance of an inclusive financial sector. The contention is that without an inclusive financial sector, there would be restricted opportunities for low-income households, resulting in a constant form of inequality or poverty trap (World Bank 2008). In other words, financial inclusive-ness would provide more access to both low-income households and businesses, leading to opportunities for the households/firms to benefit from safer payment systems and the intermediation between savings and investments, both of which are facilitated by financial providers (United Nations 2006). This in turn would lead the households and firms to benefit from or take advantage of savings and investment opportunities, manage their risk through insurance, and smooth their consumptions (Imboden 2005; World Bank 2008). To support these assertions, numerous studies appear to indicate the negative relationship between the development of the financial sector and poverty/income inequality (Honohan 2004; 2008; Mookerjee and Kalipioni 2010).

Furthermore, it is also contested that a focus on policies that reduces inequality and poverty through financial inclusion would also mitigate adverse incentive effects, vis-à-vis redistributive policies[26] (Demirgüc-Kunt and Levine 2008; World Bank 2008). In these regard, financial inclusive-ness under the realm of financial development is considered to enhance both equity and efficiency (Demirgüc-Kunt and Levine 2008).

In the following sections the causes, consequences and responses towards financial exclusion will be discussed. Additionally, findings on who are more likely to be financially excluded will also be described.

[26] Here, it is argued that redistributive policies leads to “disincentives to work and save” (Demirgüc-Kunt and Levine 2008, p. 22), whilst financial inclusion creates financial development that enhances an individual’s opportunity for economic development whilst providing positive incentive effects.

3.2 CAUSES OF FINANCIAL EXCLUSION

There is no one single or dominant cause of financial exclusion, as the reasons for individuals being excluded from mainstream financial markets are multi-faceted and complex. Below are the main causes of financial exclusion, categorised from a demand, supply and societal perspective.

i. Supply Factors

a) *Access exclusion*: Refers to individuals excluded by means of risk assessment processes, such as being deemed as high risk and being refused access to open a current account as a result of insecure, part-time or temporary employment, or failing a credit scoring system (Financial Services Authority 2000b). In certain cases, government regulations may lead to access exclusion. For instance, in countries without compulsory identity cards, in an attempt to combat terrorism and money laundering, regulations require individuals to provide proof of identity using passports or driving licenses to open a bank account. This poses difficulties for low-income individuals or the homeless who may not possess both, consequently leaving them unable to open bank accounts (European Commission 2008; Financial Services Authority 2000b; Kempson, Atkinson, and Pilley 2004a).

b) *Condition exclusion*: Excluded from using financial products that have unattractive conditions, which do not appeal to some individuals. For example, insurance policies may contain clauses or exclusions that make them unattractive for low-income households (Financial Services Authority 2000b; Kempson and Whyley 1999). Other instances include poor product design and service delivery, whereby the former refers to products that do not meet the target market of low-income households, while the latter pertains to delivery of financial services which are not appropriate for the target market, such as internet banking for the elderly (European Commission 2008).

c) *Geographical access*: Considered one of the historical forms of financial exclusion, where bank branch closures led to financial exclusion in poor communities or rural areas (Leyshon and Thrift 1995). Although some studies, such as Kempson and Whyley (1999), highlight that few households actually cite the lack of banks or financial service outlets as the reason for not possessing certain financial products, one may contend that this form of exclusion may lead to psychological challenges, to the extent that individuals may exclude themselves from using mainstream financial products.

d) *Marketing exclusion*: Excluded due to selective marketing and sales of financial products. In this context, current customers of mainstream financial markets are likely to be kept abreast of financial products through marketing information, which subsequently increases their understanding of the financial product, or at least its existence. Meanwhile, those who have never or for a prolonged period had not taken up mainstream financial products are less likely to know the existence of the products, let alone understand how they work (Financial Services Authority 2000b; Kempson and Whyley 1999).

e) *High costs to providers*: Another cause of financial exclusion relates to the reluctance of financial providers to offer financial products, such as basic banking services, to the poor. The high costs involved with providing banking facilities to low-income customers equates to small amounts of savings and credit needs, which are unlikely to yield high profits for financial institutions (Hogarth and O'Donnell 2000).

f) *Complexity of choice*: Includes instances whereby, with too many products to choose from, the target market becomes overwhelmed when trying to decide upon the optimal product (European Commission 2008).

ii. Demand Factors

a) *Price exclusion*: Excluded due to affordability of financial products such as high costs of credit for low-income households, or high insurance premiums of home contents' insurance, notably for those living in crime-ridden neighbourhoods (Financial Services Authority 2000b; Kempson and Whyley 1999). Issues of affordability are especially pertinent in the case of the analysis by Hogarth and O'Donnell (1999) of a US Survey of Consumer Finance, which highlighted lack of funds as the main reason for not having a checking account. Instances such as these are especially dire, as a bank account is generally viewed as a prerequisite to obtain complicated products, such as credit facilities and pension products.

b) *Self-exclusion*: Refers to a tendency to exclude oneself from taking up financial products because of a belief that the application will be refused due to previous history of oneself, or a person with similar circumstance, being refused (Financial Services Authority 2000b; Kempson and Whyley 1999). Additionally, this form of psychological exclusion from the mainstream financial market may pertain to a lack of geographical access, bringing about low self-esteem or a belief that mainstream financial products are not for households with low incomes. Mistrust of financial institutions, due to a lack of confidence with financial institutions or concerns of bankruptcy, as well as a fear of loss of financial control, also leads to self-exclusion (European Commission 2008; Kempson and Whyley 1999). Another form of self-exclusion relates to cultural or religious beliefs, such as the prohibition of bank interest held by Muslims, which self-excludes Muslims from using interest-bearing financial instruments (Financial Services Authority 2000b).

iii. Societal Factors

The European Commission (2008), which analyses financial exclusion within fourteen European Union countries, highlights three major societal factors that contributes to financial exclusion.

a) *Demographic changes and technological gap*: With the advancement of technology, new forms of exclusion exist, whereby older generations face barriers in keeping up-to-date with money and banking, via technology.

b) *Labour market changes*: Greater flexibility in the labour market indicates fluctuating or unstable income levels that can affect individuals in other facets of exclusion such as access exclusion; for example, individuals are denied access to open current accounts without a permanent and stable income.

c) *Income inequalities*: Inequalities in incomes relate directly to access issues in the mainstream financial market, as countries with high levels of income inequalities are found to possess high incidence of financial exclusion, relative to those with low levels of inequalities (Kempson et al. 2004a).

3.3 CONSEQUENCES OF FINANCIAL EXCLUSION

i. Money Management – Current/Savings account

In general, being excluded from opening a bank account means that individuals are more likely to save money at home in jars and envelopes, highlighting their financial vulnerability to burglaries (Kempson and Whyley 1999).

Further, when it comes to bill-payments, they are more likely to be in the distinctly disadvantaged position of paying a higher amount by cash or through prepaid methods, compared to automated transfers or direct debits. For instance, in the United Kingdom (UK), utility companies offer discounts for payments made through direct debit, whereas paying gas by other methods can cost up to an additional £46 a year on average. In addition, paying bills weekly in cash cost £48 more a year, while paying through prepayment meters can cost up to £80 a year (Whyley and Kempson 1998b as cited in Kempson and Whyley 1999). In addition, individuals without a stable banking relationship are more likely to pay more for general services, such as bank transfers to third parties, cashing cheques and paying taxes. Opportunities to benefit from lower prices of consumer goods and services are also lost, when individuals lack a payment card, such as a debit or credit card (European Commission 2008).

In extreme cases, difficulties in opening a bank account may lead to employment issues, when employers dictate that wages be paid through bank transfers, into the employees' bank account (Treasury Committee 2006). More importantly, without having a bank account, individuals lack the history of financial records which is required should the individual wish to apply for other sophisticated financial products in mainstream financial markets, such as home financing and small business development (Hogarth and O'Donnell 2000). This is notably relevant in countries with credit scoring approaches or where having a good credit history is invaluable.

ii. Money Management – Credit Facilities

One of the main disadvantages of obtaining credit outside of mainstream financial markets is the higher cost. An example is that of the UK, where low income families' preference for short-term and smaller credit, which suits their budgeting approach, means that they are likely to pay annual interest rates of between 100 to 500 percent to licensed moneylenders. Further, in some cases, when borrowers resort to unlicensed moneylenders, the latter’s activities borders on the illegal and may involve intimidation techniques, such as taking one’s passport or benefit book as collateral (Kempson and Whyley 1999).

iii. Emergency Planning - Insurance

Being excluded from obtaining insurance brings out anxiety or lack of peace of mind, especially if the individual is risk averse and wishes to mitigate the risk. For instance, in a study of home contents insurance, Whyley, McCormick and Kempson (1998) found that a small number of risk averse individuals living in areas with high incidence of crime, experienced high levels of anxiety. They are faced with the dual disadvantage of being unable to access home contents insurance due to the associated high premiums, and at the same time, face a high risk of being burglarized.

iv. Investing for Goals – Pension Schemes

Where retirement is concerned, without participating in pension schemes, be it a personal pension or an occupational scheme, the obvious consequences of being excluded is that low-income individuals continues to face issues of financial hardship in their golden years. In the UK, even those who attempted to save but subsequently have insufficient retirement funds, on one hand face the issue of having too small a pension fund to retire on, and on the other have too large a private pension to qualify for state benefits (Financial Services Authority 2000b).

3.4 RESPONSES TO FINANCIAL EXCLUSION

i. Role of Governments

Governments are known to be involved as facilitator and legislator to mitigate financial exclusion. In general, facilitation by governments towards financial inclusion includes supporting market initiatives, contributing directly to providing financial services (such as the creation of the ‘Saving Gateway’ project in the UK) and reducing barriers of self-exclusion through financial literacy and advice (European Commission 2008). In the context of legislation, within Europe, policy responses to financial exclusion are said to be more ad hoc, with policies created to accommodate individual countries. Take for instance, the creation of a basic bank transaction account, which is deemed as a good indicator of financial inclusion: Carbo, Gardener and Molyneux (2007) state that government intentions in Europe and the United States have been broadly similar, that is to ensure that every individual has the opportunity to open a basic bank account.

However, despite the similar goal, the role of each government varies where some merely encourage or mediate the banking sector, while others facilitate via legislation or employ affirmative action. The former involves banks themselves developing voluntary charters and codes of practice to make provisions for basic bank accounts, but more often than not, when these charters are ineffective, governments are more likely to introduce legislations (European Commission 2008). Affirmative action exists in countries such as the United States, where financial institutions are encouraged to provide credit facilities to medium and low-income neighbourhoods. These factors are included in a rating system which is taken into account by the authorities when banks require approval from regulators on issues such as expanding their activities in mergers and acquisitions (Carbo et al. 2007; Kempson et al. 2004a).

Other legislative instances relate to indirect regulations, whereby regulations that were initially designed for other objectives bring about adverse effects towards financial exclusion. For example, high taxes or government stamp duty levied on bank accounts in Ireland, for the use of a payment card, deter low-income individuals from creating bank accounts. Therefore, it may well be worthwhile for any new legislation to fulfil a ‘financial inclusion’ compliance test, to ensure that new regulations do not lead to exclusion (European Commission 2008).

ii. Creation of Partnerships

Aside from legislation, some studies highlight the best option towards mitigating financial exclusion lies in the form of partnerships, be they private/private, private/public or private/not-for-profit. For instance, to ensure financial products are accessible to the unbanked, the Financial Services Authority (2000b) identified the Post Office as a key player, as this institution is present across the UK, and has already set up agency agreements with some banks to provide basic transactional banking services. Another example exists in France, where partnerships exist between commercial social-oriented providers and non-government organisations (NGOs) to provide micro-credit. Here, the banks makes the loan, the state guarantees 50 percent of the funds and the involved NGO undertakes the operational aspect of the scheme, such as evaluating the risk of the borrower and following up on repayments (European Commission 2008). Within this context, the role of Community Development Financial Institutions such as credit unions, towards mitigating financial exclusion cannot be underestimated (Bryson and Buttle 2005).

In the field of insurance, a notable partnership takes the shape of 'Insurance with Rent' schemes, whereby local authorities or social landlords provide low-cost contents insurance to low-income households. Here, landlords act as agents for the insurance company, selling and collecting premiums, in exchange for commission. This commission is then used to either enhance the security of the property which reduces the premiums in the long run, or is used to reduce the premiums payable by the tenants (Whyley, McCormick, and Kempson 1995 as cited in European Commission 2008).

iii. Design and Delivery of Financial Products

Aside from government initiatives and the creation of partnerships, it is also necessary to identify and address the unmet banking needs of those excluded. Kempson and Whyley (1999) in understanding the financial requirements of those financially excluded, highlighted the point that most of their requirements are similar to any other consumer. However, two requirements are unique, which pertain to the need for greater flexibility and an appropriate delivery mechanism. In their study, greater flexibility refers to products with terms that can change following the circumstances of low-income households, such as reduced payments that extend for long periods of time during difficult financial periods. Meanwhile, having an appropriate delivery mechanism relates to having financial products with structures that can accommodate the budget of low-income households, such as credit facilities that allow customers to make small and weekly repayments, rather than large monthly payments. Although it can be argued that the above findings could be unique to their study, understanding the unmet banking needs of low-income households is crucial to mitigate financial exclusion.

To that end, mainstream commercial banks in Belgium, Germany, Italy, the Netherlands and United Kingdom have created basic bank accounts without overdraft facilities, meeting the concerns of low-income individuals on the financial issues related to overdraft facilities. Further, without an overdraft facility, there is no need for credit screening, which tends to exclude certain individuals. In addition, some accounts allow a small amount to be overdrawn so that individuals can "access the money in their account when it is less than the smallest sum dispensed by a cash machine" (European Commission 2008, p. 62).

iv. Microfinance

Even with government involvement, creation of partnerships, as well as optimising the design and delivery of financial products, there are instances where mainstream financial institutions are not able to cater for the needs of the unbanked and underbanked. Therefore, over the decades, microfinance institutions (MFIs) have gradually developed, as an alternative to mainstream financial institutions, to serve low-income customers.

For instance, condition exclusion issues such as the need for collateral when applying for loans, offered by mainstream financial institutions, are likely to exclude low-income households, as they are likely to own few assets. Therefore over the years, MFIs have developed collateral substitutes to serve low-income customers. For example, group guarantees is a model used by MFIs, through lending to groups, whereby should a member in the group default on the credit, it may affect the access to future loans for all group members, or that all members may become directly liable to repay the loan (Ledgerwood 1999). Aside from micro-credit, MFIs also focus on other financial products and services ranging across saving products, payment services and micro-insurance (La Torre and Vento 2006; Ledgerwood 1999).

v. Financial Education and Literacy

Mitigating issues related to self-exclusion is equally important, for the supply or provision of a financial product is only beneficial if barriers surrounding self-exclusion can be broken. Within households that never used mainstream financial products and services, Kempson and Whyley (1999) identified common traits held by these households, which include low-level awareness of financial products, and mistrust of financial services. This finding confirms the importance of financial literacy and education, in order to reduce instances of self-exclusion.

3.5 WHO IS FINANCIALLY EXCLUDED?

i. Role of Income and Employment

In understanding who is likely to be financially excluded, it is intuitive to firstly consider income and employment status, as contributing towards being unable to access or have full use of financial products. Numerous research have supported this intuition. For instance Devlin (2005), in analysing the financial exclusion of households in the United Kingdom (UK) with regards to current account, savings account, home content insurance, life assurance and pensions, found that aside from housing tenure, household income and employment status were highly significant and the most consistent variables that explained those who were financially excluded. Income and employment status also were identified by the Financial Services Authority (2000b), which analysed studies related to exclusion from bank accounts, formal savings, insurance as well as credit, and contended that exclusion is essentially a function of household income.

In terms of total financial exclusion in the UK, the Financial Services Authority (2000b) highlighted that being in receipt of Income Support had the largest influence towards exclusion, further signifying the importance of income. Additionally, Devlin (2009) found that income and employment status played important roles in establishing those who were unbanked.

The European Commission (2008) noted, using the Eurobarometer data in the European Union, that one of the largest statistically significant influences on financial exclusion is unemployment, while being in the lowest income quartile was found to exert a sizeable influence. Other studies that highlight the role of income and employment status include Kempson and Whyley (1999), and Simpson and Buckland (2009).

ii. Role of Educational Attainment Levels

In ascertaining the unbanked in the UK, Devlin (2009) found that the most important determinant of financial exclusion is the level of an individual's educational attainment. With the exception of life assurance, Devlin (2005) also found education to exert a significant influence across accessing a range of financial products within the UK. The strong link between level of educational attainment and financial exclusion is also highlighted in Financial Services Authority (2000b) and European Commission (2008).

In this context, Kempson and Whyley (1999) contends that although an individual may possess a relatively lower educational achievement, it does not directly lead to low usage of financial products, but rather contribute to the likelihood of low income. The implied relationship here is that a lower education leads to a lower income, and consequently affects the level of financial inclusion one may attain. Although the above is temptingly intuitive, Simpson and Buckland (2009) found that even after controlling for income and wealth, lower educational attainment links to a higher level of exclusion. This indicates that it is the level of education attained in itself that links with financial exclusion, and not education as a source of income or wealth.

iii. Role of Housing Tenure

Where housing is concerned, numerous studies have noted that those living in socially-rented and local-authority housing estates were more likely to be financially excluded, notably in deprived boroughs or districts (Financial Services Authority 2000b; Kempson and Whyley 1999).

Aside from the locality of housing, the type of ownership also played a role in determining financial exclusion. For instance, Simpson and Buckland (2009) found that owner-occupied, especially mortgage-free ownership is linked to a lower level of financial exclusion, even after controlling for income, age, education and wealth effect of ownership. Similar findings of the significance of owner-occupied housing, compared to renting or social housing, is evident in Devlin (2005) and Devlin (2009).

iv. Role of a Large Family

In general, the larger the family the higher is the likelihood of being financially excluded. This appears to be the finding in a study of Canadian families, whereby relatively larger families with fewer earners are likely to have no bank accounts or a zero-bank account. Similar findings are reported in the UK, with larger households more likely to be financially excluded (Devlin 2005, 2009). The only exception is to be found in Devlin (2005), with regards to life assurance, whereby a larger household is not linked with higher levels of financial exclusion. Here, the relatively stronger "perceived need to protect the family" may well explain the exception (Devlin 2005, p. 100).

v. Role of Marital Status

Single-adult households are found to be linked with financial exclusion. Kempson and Whyley (1999), for instance, noted that within their study, 74 percent of households who have no financial product whatsoever, are headed by a single adult. Similar conclusions are derived in Financial Services Authority (2000b), European Commission (2008), and Devlin (2005)[27].

vi. Role of Gender

There appears to be inconclusive findings, as to whether men or women are more likely to be financially excluded. For instance, the European Commission (2008) found that women are more likely to be financially excluded than men, while Devlin (2009) found that gender was not a significant influence, where the unbanked were concerned. Devlin (2005) also found that across a range of financial products, findings were mixed. Whereas in the case of current accounts, home contents insurance and life assurance, gender was not linked to financial exclusion; for savings accounts, men are more likely to be financially excluded than women. Conversely, in terms of pensions, women are more likely to be excluded than men.

[27] Note however that in Devlin (2005), the exception amongst the various financial products is home contents insurance, where no significant link with financial exclusion is found.

vii. Role of Age

Two general patterns appear to be evident when it comes to age. Either the young (aged 16 or 18 to 25), those retired (over 65), or both age groups are likely to be financially excluded compared to those in the mid-age range. For instance, the Financial Services Authority (2000b) highlights that where insurance is concerned, both age groups were likely to have no home contents' insurance or life insurance. Similar patterns were generally found in Devlin (2005), European Commission (2008), Devlin (2009) and Simpson and Buckland (2009). For the young age group, the high level of financial exclusion may be due to self-exclusion or marketing exclusion. In the former, the young individuals may not appreciate the need for certain financial products as yet, such as insurance or pensions, while in the latter, financial institutions may have targeted their marketing campaigns at other age groups due to the same reason (Devlin 2009). With regards to credit, these findings appear to be in line with the Life Cycle Hypothesis, where the young have a high consumption pattern and face a constraint on their borrowing capability (Simpson and Buckland 2009). As for the relatively older age group, the elderly may consist of the 'cash-only' generation, who self-exclude themselves from attaining financial products such as opening bank accounts (Whyley and Kempson 1998a as cited in Financial Services Authority 2000b).

3.6 CONCLUSION

The preceding sections have highlighted the causes and responses towards financial exclusion as well as the consequences of being financially excluded, in the context of personal finance. Such exclusion has dire repercussions, especially if individuals are unemployed, receiving a low income and possessing relatively low educational attainment, among other factors that are known to influence financial exclusion.

Therefore, it is imperative that any attempt to create an inclusive Islamic financial planning framework needs to consider mitigating financial exclusion as a key component within the framework. Otherwise such attempts, especially aimed at low-income households and those in poverty, will be futile.

Chapter 4
ZAKAT, *AWQAF* AND
ISLAMIC FINANCIAL PLANNING

4.1 INTRODUCTION

Throughout history, *zakat*[28] and *awqaf*[29] have largely been pivotal to the development of Islamic societies, notably in their roles in ensuring socio-economic prosperity in general, and poverty alleviation in particular. For instance, during *Khalifah* Umar Al-Khattab's period witnessed instances whereby Muath bin Jabaj, the governor in Yemen, had continuously transferred significant *zakat* portions back to Madinah, as he could not find individuals wanting or accepting *zakat* funds (Ahmed 2004). In terms of *awqaf*, the popularity of such institutions prior to the 20th century was reflected by the sheer creation of *awqaf* assets, to the extent that public services such as health and education were provided by *awqaf* institutions, not by the government (Cizakca 1998). One can only imagine in such a situation, where both *zakat* and *awqaf* institutions are effective towards establishing socio-economic prosperity and reducing poverty, the benefits towards society as a whole, and specifically in assisting those with little wealth, are plentiful.

A key factor that requires consideration with regards to *zakat* and *awqaf* is Islamic financial planning. As key life events, such as retirement, are increasingly left to individuals to manage, this begs the question of whether *zakat* and *awqaf*, as well as Islamic financial planning, can be integrated towards creating an inclusive approach to assist net deficit households to escape poverty, not just in the short-term but also in the long run, including in their golden years.

Siddiqi (2006) highlights criticisms that contemporary Islamic financial institutions (IFIs) are not able to fulfil the financial needs of the Muslim community, notably as poverty is the main issue in numerous Muslim countries. In this regard, one may contend that the financial products and services offered by contemporary IFIs, including financial planning, are more likely to suit affluent high-income and middle-

[28] *Zakat* refers to an obligatory form of charity, incumbent upon Muslims who fulfil certain conditions.
[29] *Awqaf* is an optional form of charitable act, similar to charitable endowments or trusts.

income households, thus leaving low-income households outside the realm of their target market. Therefore, from an Islamic financial planning perspective, there is a social need for a refined form of financial planning, by combining Islamic financial planning, *zakat* and *awqaf* with the intention of ensuring financial health for all households, irrespective of income level. Here, the emphasis is to formulate an inclusive Islamic financial planning framework that assists not only net surplus households to achieve their financial goals, but manifests due consideration for net deficit households, by exploring the potential role that *zakat* and *awqaf* can play in financial planning.

This chapter begins by comparing Islamic financial planning vis-à-vis conventional financial planning, followed by some fundamental aspects of *zakat* and *awqaf*, within the context of payers/contributors, beneficiaries and related institutions. Towards the end, the notion of an inclusive Islamic financial planning framework is discussed.

4.2 DIFFERENCES BETWEEN CONVENTIONAL FINANCIAL PLANNING AND ISLAMIC FINANCIAL PLANNING

In Section 4.6, Islamic financial planning will be highlighted as a potential approach to assist poverty alleviation efforts. To that end, it is pertinent first to discuss the differences between Conventional Financial Planning (CFP) highlighted in Chapter 2, vis-à-vis Islamic Financial Planning (IFP).

i. Objective of Islamic Financial Planning

To understand the differences between IFP and CFP, it is important to firstly explore the objective of Islamic Financial Planning. As noted in chapter 2, a CFP definition provided by the Certified Financial Planner Board of Standards (n.d., p. 2) highlights 'Financial Planning' as the "process of determining whether and how an individual can meet life goals through the proper management of financial resources".

If a definition of Islamic Financial Planning were to be created, one may contend that it would be similar to the above, with the significant inclusion that the processes adhere to Islamic principles. Although including the words 'Islamic principles' may be sufficient, it however fails to highlight the bigger picture or extent of financial planning in Islam, which incorporates the concept of *al-Falah* (Accountants Today 2008, August). *Al-Falah* generally refers to attaining success for an individual, in this world and the hereafter, whereby in this world the goal relates towards attaining 'a good life' (*hayatan tayyibah*), while in the hereafter it pertains to the attainment of entering paradise (Accountants Today 2008, August).

With respect to a good life (*hayatan tayyibah*), the *Qur'an* (16:97) reads:

> Whoever does righteous deeds, whether man or woman, and is a believer, We shall most certainly give a good life. And We shall indeed reward these according to the best that they ever did.

Meanwhile, the benefits of aspiring towards paradise are noted in the *Qur'an* (61:10-12), which also touches upon the role of wealth in one's life.

> O ye who believe! Shall I show you a commerce that will save you from a painful doom? Ye should believe in Allah and His messenger, and should strive for the cause of Allah with your wealth and your lives. That is better for you, if ye did but know. He will forgive you your sins and bring you into Gardens underneath which rivers flow, and pleasant dwellings in Gardens of Eden. That is the supreme triumph.

It is from these concepts of aspiring towards a 'good life' and paradise, that from the onset, the realm of IFP differs from CFP, as the latter does not consider the need to consider *al-Falah,* and subsequently does not consider extending the time horizon to life in the hereafter (Accountants Today 2009, May).

This implies that the ideal Islamic financial planner goes beyond providing services relating to worldly activities and events such as retirement planning and emergency planning, but extends to activities and events that provide benefits towards achieving *al-Falah*, such as *zakat* planning and creating awareness towards the benefit of *awqaf*.

Therefore, a possible definition which incorporates the distinctive objective of IFP, may describe financial planning in an Islamic context as 'the process of managing wealth, through the creation, implementation and monitoring of personal financial activities, in compliance with *Shari'ah* and towards attaining *al-Falah*, success in this world and the hereafter'.

ii. Adherence to Shari'ah

Towards attaining *al-Falah,* the need to adhere to *Shari'ah* highlights another significant difference between IFP and CFP. *Shari'ah* can be generally defined as "…the sum total of Islamic teaching and system, which was revealed to Prophet Muhammad (s.a.w.) recorded in the *Qur'an* as well as deducible from the Prophet's divinely guided lifestyle…" (Laldin 2006, p. 3).

In the context of IFP, the *Shari'ah* guides individuals towards the use of financial products and services deemed permissible. One such instance is the prohibition of *riba*[30], *gharar*[31] and *maysir*[32] in Islamic finance. For example, *takaful* companies are not allowed to invest premiums in investments that have elements of *riba*, such as conventional bonds. Further, because of the contractual nature of conventional insurance which contains elements of *gharar* (Islamic Development Bank and Islamic Fiqh Academy 2000), *takaful* contracts incorporate the concept of *tabarru*, which involves donating a part of one's premium to mutually help one another within the *takaful* scheme, should the event befall any participant.

Other examples involve investment products and activities, whereby Islamic brokerage firms are not allowed to invest funds in companies whose core activities deal with prohibited items. This can be reflected in the Dow Jones Islamic Market Indexes, which do not include companies whose main activities pertain to alcohol, tobacco, pork-related products, conventional financial services, defence and weapon companies, and entertainment (hotels, casinos/gambling, cinema, pornography, music etc) (Guide to the Dow Jones Islamic Market Indexes 2009).

iii. Realisation of Maqasid al-Shari'ah

Aside from the distinctive objective of Islamic Financial Planning and the need to adhere to *Shari'ah*, the difference between IFP and CFP is especially pertinent as the

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[30] *Riba* refers to "the 'premium' that must be paid by the borrower to the lender, along with the principal amount, as a condition for the loan or for an extension in its maturity." (Chapra 1985, p. 55)

[31] *Gharar* generally refers to excessive uncertainty leading to risk that can be caused by lack of knowledge of, for instance, subject matter, price, characteristics or quantum. In business transactions, such lack of knowledge, which leads to uncertainty, may provide a situation where those who are cleverer, stronger or more experienced takes advantage of the lesser party (Aji Haqqi 1999).

[32] *Maysir* denotes elements of gambling or a game of chance.

former is involved in realising the *Maqasid al-Shari'ah* (Objectives of Islamic Law). According to Imam al-Ghazali,

> "The very objective of the *Shari'ah* is to promote the well-being of the people, which lies in safeguarding their faith (*din*), their self (*nafs*), their intellect (*'aql*), their posterity (*nasl*), and their wealth (*mal*). Whatever ensures the safeguard of these five serves public interest and is desirable, and whatever hurts them is against public interest and its removal is desirable." (Chapra 2008, p. 4)

In relation to the above, IFP plays a significant role in promoting the well-being of individuals towards preserving the major categories - namely faith, self, posterity and wealth. For instance, towards preserving faith (*din*) and self (*nafs*), the creation and maintenance of wealth through financial planning can assist individuals to, at the very least, minimize financial difficulties and at the far end of the spectrum, to move away from poverty. This is especially important as the Prophet (pbuh) stated that, '[p]overty is almost like disbelief in God'[33].

With regard to preserving posterity (*nasl*), financial planning can assist to preserve the welfare of one's children by assisting parents to invest in their future goals, notably that of education, such as through the creation of education savings or trust funds. Another aspect of posterity that requires attention, according to Chapra (2008), is the debt-servicing burden of the present generation who choose to live beyond their means, and at which the burden would fall upon the future generation. In this instance, realising financial planning through prudent money management and instilling financial discipline can mitigate such negative financial circumstances. The notion of preserving wealth for one's children cannot be underestimated, as noted in a *Hadith*[34].

> Narrated by Sa'd bin Abi Waqqas: I was stricken by an ailment that led me to the verge of death. The Prophet came to pay me a visit. I said, "O Allah's Apostle! I have much property and no heir except my single daughter. Shall I give two-thirds of my property in charity?" He said, "No." I said, "Half of it?" He said, "No." I said, "One-third of it?" He said, "You may do so) [*sic*] though one-third is also to a [*sic*] much, for it is better for you to leave your off-spring wealthy than to leave them poor, asking others for help…"

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[33] Cited by al-Suyuti (d. 911/1505) in his *al-Jami al-Saghir* from Anas ibn Malik on the authority of Abu Nu'aym's *al-Hilyah*. See Chapra (2008).

[34] Reported in Sahih Bukhari. See Laws of Inheritance (al-Faraaidh) (n.d.).

Finally, in relation to wealth (*mal*), the over-riding impetus for Islamic financial planners to adhere to *Shari'ah* will assist individuals to avoid financial instruments that have elements of *riba*, *gharar* and the like, and consequently avoid the harm that these elements bring to one's wealth. Examples such as these illustrate the view that IFP is significantly different from CFP, for the former would recognize the need to preserve these five categories, while the latter is value-neutral.

iv. Estate planning in Islam

Another considerable variation between CFP and IFP lies in the estate planning process of both approaches, as in IFP the tools comprise of both compulsory and optional succession. *Faraid* or Islamic law of inheritance represents the compulsory aspect of succession, which involves pre-determined proportions allocated to legal heirs of the deceased, with particular emphasis towards payment of debt and legacies first.

For instance, the *Qur'an* (4:11) reads:

> Allah (thus) directs you as regards your Children's (Inheritance): to the male, a portion equal to that of two females: if only daughters, two or more, their share is two-thirds of the inheritance; if only one, her share is a half. For parents, a sixth share of the inheritance to each, if the deceased left children; if no children, and the parents are the (only) heirs, the mother has a third; if the deceased left brothers (or sisters) the mother has a sixth. (The distribution in all cases is) after the payment of legacies and debts. Ye know not whether your parents or your children are nearest to you in benefit. These are settled portions ordained by Allah; and Allah is All-knowing, All-wise.

The optional aspect of succession lies in the *wasiyat* (Will), which may entail provisions for *awqaf* and/or *hibah* (gifts). However, in writing a *wasiyat*, two general rules or limitations must be adhered to. Firstly, legal or eligible heirs are not entitled to bequest, as they are provided certain proportions following the law of inheritance. Secondly, after settling debt, the maximum amount that can be bequeathed is a third of one's wealth (fmBrunei and Independent Islamic FINancial Planners 2009a), as noted in the earlier *Hadith* narrated by Sa'd bin Abi Waqqas.

It should be noted that though optional, writing a *wasiyat* is strongly encouraged in Islam.

> Narrated by Abdullah bin Umar: Allah's Apostle said, "It is not permissible for any Muslim who has something to will to stay for two nights without having his last will and testament written and kept ready with him."[35]

v. Importance of Charity (Zakat, Awqaf and Sadaqah)

Although conventional financial planning does incorporate elements of charity, such as charitable endowments, the Islamic view of charity is distinctively different in nature and emphasis.

The nature of charity differs, for instance in *zakat* whereby donating 2.5 percent of one's monetary wealth is obligatory to all Muslims who fulfil certain conditions, signifying that in certain charitable acts such as that of *zakat*, Islam follows certain codes that do not leave charity up to one's wishes or to select beneficiaries according to one's whims (al-Qardawi n.d.-b). It is worthwhile to note that optional forms of charity exist in Islam, such as *awqaf* (endowments) and *sadaqah* (charity), with the latter pertaining to almsgiving with no requirements or restrictions, in terms of amount or beneficiary.

Aside from the nature of charity, the emphasis towards giving is prevalent in Islam. *Zakat*, for example, is the third pillar of Islam, one of the mandatory acts incumbent upon Muslims. Where *awqaf* is concerned, it is one of three acts in Islam that continues to increase an individual's deeds after one's death, as highlighted in Section 4.5. Therefore, from an IFP perspective, *zakat* planning and encouraging clients to create *waqf* properties should be a key activity for financial planners, no matter how small one's wealth may appear to be.

[35] Reported in Sahih Bukhari. See Wills and Testaments (Wasaayaa) (n.d.).

4.3 *ZAKAT, AWQAF* AND ISLAMIC ECONOMICS

Prior to highlighting the notion of an inclusive IFP framework, it is prudent to provide a detailed description of *zakat* and *awqaf*, which will be noted in Section 4.4 and 4.5 respectively. However, beforehand, it is worthwhile to briefly illustrate the significance of both within the realm of Islamic economics.

Chapra (1985), in outlining the main goals of an Islamic financial system, stresses socio-economic justice and equitable distribution of income and wealth as one of the fundamental goals of such a system. The term ‘equitable’ does not mean that Islam prohibits differences in wealth and income, as posited by Ahmad (1991), as the *Qur’an* (26: 181) states ‘Give full measure, and be not of those who give less (than the due)…’, which suggests that payment or compensation should commensurate with work or effort done[36]. What is meant by inequitable distribution in this context, is the gross inequalities of wealth and income to the extent that wealth is concentrated among the rich. For instance, the *Qur’an* (59: 7) reads:

> ‘That which Allah giveth as spoil unto His messenger from the people of the townships, it is for Allah and His messenger and for the near of kin and the orphans and the needy and the wayfarer, that it become not a commodity between the rich among you…’

The depiction of wealth in Islam is such that wealth is seen as primarily owned by God, and such wealth is entrusted to individuals who play their role as vicegerents (Chapra 1979). Herein, part of the bestowed wealth belongs to others, such as the poor and needy, to the extent that distributing alms, such as paying *zakat*, by the rich to the poor is not a ‘favour’ done by the rich, but more correctly, it is a ‘right’ of the poor towards that wealth (Rahman 2003). With regards to this ‘right’, the *Qur’an* (70: 24-25) reads: ‘[In their] wealth there is a known share for the beggars and the destitute.’

Therefore, *zakat* and *awqaf* is expected to play a critical redistributive role in Islam, benefiting not only the poor and needy, but also strengthening social cohesion, which further highlights the importance of these tools within Islamic economics and finance.

[36] Chapra (1979) also stresses that differences in income and wealth are tolerated in Islam, with reference to *Qur’anic* verses (6: 165; 16: 71 and 43: 32).

4.4 ZAKAT

Established as the third pillar of Islam, *zakat* literally means cleanliness, purity and growth. In *Shari'ah*, *zakat* refers to "the part of the wealth which the rich, possessing the *Nisab*[37], has been ordained to spend for the deserving recipients at prescribed rates as per rules laid down in the Islamic sources" (Sadeq 2002, p. 13).

Being an obligatory act incumbent upon all Muslims, the importance placed upon *zakat* is reflected in the *Qur'an*, where *zakat* is mentioned more than 36 times and about 70% of the time, it is placed after the order of prayer, highlighting the importance that Islam places on it[38] (fmBrunei and Independent Islamic FINancial Planners 2009b).

Practices during the time of Prophet Muhammad (pbuh) and the four *khulafa'* (caliphs) have provided the platform towards the implementation of *zakat*. For example, it is a well-known practice that the collection and disbursement of *zakat* is localized. During the time of the Prophet (pbuh), no *zakat* funds were transferred from one area to another (Kahf 2000b). However, there are cases during the time of *Khalifah* Umar, who although stated that *zakat* must be disbursed in the same locality at which they were collected, did accept transfers to the central government when Muath, the governor of Yemen, explained that no deserving beneficiaries existed in the area. Therefore, jurists appear to agree that transferring *zakat* to the central government or neighbouring areas is allowed, given such circumstances (al-Qardawi n.d.-b).

Unfortunately, the strength of *zakat* as a social welfare mechanism has suffered setbacks throughout history. For instance, after the period of the four *khulafa*, internal crises led to disjointed collection and disbursement of funds, as numerous jurists encouraged direct disbursement of funds by *zakat* payers (Kahf 2000b). More recently, the 19th century witnessed colonialism affect the role of Muslim states in collecting and disbursing *zakat*, to the extent that only the government of Yemen was

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[37] *Nisab* refers to the minimum amount of a particular wealth that an individual must own in legal and absolute terms, before being eligible to pay *zakat*. Note that discussions on *nisab* of specific assets and conditions of *zakatability* are outside the scope of this literature review.

[38] In contrast, Yusuf al-Qardawi highlights that the word '*al zakah*' is noted 30 times in the *Qur'an* and 27 of them are linked with prayers within the same verse (al-Qardawi n.d.-a).

known to have continued its role in the collection and disbursement of *zakat*, be it restricted to *zakat* on livestock, agriculture and *zakat al-fitr*. Despite these setbacks, the second half of the 20th century has witnessed a form of revival, with governments taking the primary role in collecting and disbursing *zakat* in some countries (Ahmed 2004). In the following subsections, general aspects as well as contemporary issues pertaining to *zakat* payers, beneficiaries and institutions are discussed.

4.4.1 *Zakat* Payers

4.4.1.1 Importance of *zakat* to *zakat* payers

The importance of *zakat* can be understood from the benefits that it brings, both to *zakat* recipients and payers. Aside from the financial benefit that it provides to *zakat* recipients, *zakat* payers also benefit from disbursing their responsibilities. In the context of the literal meaning of *zakat*, as 'cleanliness' and 'purify', by giving away a small portion of one's wealth, *zakat* disentangles one's love of material wealth and purifies one's soul from miserliness. Further, *zakat* purifies the wealth of the payer, after fulfilling his or her obligation of apportioning wealth that belongs to *zakat* recipients (Rahman 2003). Prophet Muhammad (pbuh) said:

> "Pay *zakat* out of your property, for truly it is a purifier which purifies you, and be kind to your relatives, and acknowledge the rights of the poor, neighbours, and beggars." [39]

In relation to the literal meaning of growth, *zakat* is said to increase, rather than decrease, the *zakat* payer's wealth (Rahman 2003). The *Qur'an* (34: 39) reads:

> [Allah] enlarges and restricts the Sustenance to such of His servants as He pleases, and nothing do you spend in the least (in His cause) but He replaces it, for He is the Best of Providers.

The Prophet (pbuh) was known to have said:

> "I swear upon three (things) and ask you to memorize my words: *Sadaqah* taken from a property never decreases it; a man who suffers injustice and is patient with it, Allah will grant him strength; a man who starts begging, Allah will cause him to be poor."[40]

[39] Reported by Ahmad. See Rahman (2003, p. 17).
[40] Reported by al-Tirmidhi. See Volume 3 (Fiqh 3.3) of Fiqh-us-Sunnah(n.d.).

4.4.1.2 Categorization of *zakat*

In general, *zakat* can be broadly categorized into two; *zakat al-fitr* and *zakat* on wealth.

a) *Zakat al-Fitr*

Zakat al-fitr is categorized as distinct from *zakat* on wealth, as the former is levied based on persons rather than wealth. In *Ramadan,* when Muslims fast, those who are financially able are required to pay *zakat* for the purpose of sharing the happiness of *Eid* with the poor, and to purify one's self (al-Qardawi n.d.-b).

b) *Zakat* on Wealth

With the differing kinds of wealth that individuals may possess, the forms of *zakat* associated with wealth are equally varied, not just in terms of the types but also in terms of conditions, such as the *nisab* and *haul*[41]. Table 4.1 lists some main types of *zakat,* classified by whether the wealth is in a stock or flow form, as well as whether the type of *zakat* originates from the time of the Prophet (pbuh) and His Companions, versus those that are relatively contemporary.

Table 4.1 Classification of *Zakat* by Time Period and Variation of Wealth/Income

	Stock of wealth	Flow of Income
Historical categories	*Zakat* on gold and silver (ornament and jewellery) *Zakat* on gold and silver (currency) *Zakat* on livestock *Zakat* on business inventory	*Zakat* on treasures and spoils of war *Zakat* on agricultural products
Contemporary categories	*Zakat* on paper currency *Zakat* on stocks and mutual funds *Zakat* on retirement funds *Zakat* on life insurance/*takaful*	*Zakat* on earnings of labourers/professionals

[41] *Haul* refers to the possession of wealth throughout the passage of one lunar year.

It should be noted the list is by no means exhaustive and not all jurists agree on certain forms of wealth as being *zakatable*, but the intention is to highlight two key points on *zakat*. Firstly, the categorization by wealth in stock and flow form helps to illustrate, that the condition of *haul* does not come into play when wealth is attained through a flow of income. In other words, these forms of wealth (treasures, spoils of war, agricultural produce and earnings) are *zakatable* once they are attained and no passage of time is required. Meanwhile wealth in stock form, such as savings and hoarded gold jewellery, incorporates the condition of *haul*. This distinction of applying *haul* can be understood from the words of Ibn Qudamah who stated that:

> "…[i]tems for which the passage of a year is considered necessary are those designated for growth, such as business assets, or as shortage of value, such as money, because it is of the nature of being used for growth, so that *zakah* would be paid at the end of each year out of their profits and income. As for crops and fruits, they themselves are the income, and *zakah* is taken out of them. Once they are produced they obviously do not grow…" (al-Qardawi n.d.-a, p. 71)

The second point worth noting relates to the types of wealth that have evolved or have only existed in contemporary times, such as stocks and mutual funds. If such wealth fulfils conditions of *zakatability*, jurists may need to consider by means of *ijtihad* whether to make contemporary forms of assets as *zakatable*, following the spirit or purpose of *zakat*.

An example of wealth that has been accepted to be *zakatable* is paper currency. During the time of Prophet Muhammad (pbuh), gold and silver was generally viewed as money, in the form of *dinar* and *dirham* coins respectively. Only in recent centuries has paper currency been generally accepted, while prior to this, its concept as a form of money was relatively foreign. For instance, al-Qardawi (n.d.-a) highlights that during the early development of paper currency, early jurists considered paper money as either not *zakatable* or *zakatable* conditional upon convertibility to gold and silver. However, as economies of this era use paper currency, which functions similarly to the gold and silver of the past, it is only just to make paper currency *zakatable*.

In contemporary times, new forms of wealth appear to be more prominent and as such, some scholars argue that such forms of wealth should be *zakatable* (Kahf 1989). For example, al Qardawi (n.d.-a) highlights jurists consideration of *zakat* on earned income, where he opines through analogy that earned income should be *zakated*, in the same manner that agricultural products are eligible for *zakat* once harvested. In other words, if annual earned income, after deducting for basic necessities, is above the *nisab*, such income is eligible for *zakat*. This, the author argues, is in line with the spirit of *zakat*, whereby it appears unjust to ask a farmer to pay *zakat* on his agricultural produce but fail to do so for professionals who may earn a higher amount.

Other forms of contemporary assets, which are more applicable to personal financial planning, are discussed below.

i. Shares

In the context of company shares, there are two opinions among jurists on their *zakatability*. The first opinion differentiates between industrial firms and trading firms, with the latter's shares liable for *zakat* while the former will only need to pay *zakat* on dividends. The second opinion treats shares as commodities, viewed as being purchased with the intention to earn profits, and therefore *zakatable* at 2.5 percent of the current market value of the shares and dividend[42] (al-Qardawi n.d.-a).

This second opinion appears to be the viewpoint taken by the Council of the Islamic *Fiqh* Academy, in their ruling related to *zakat* on company shares in 1988, whereby company shares purchased for trading purposes are treated similarly to trading on business inventory (Islamic Development Bank and Islamic Fiqh Academy 2000). In practice, treating shares as commodities is carried out, for instance in Singapore, where 2.5 percent of present, market value of shares is used to compute the *zakatable* amount (How to Calculate Zakat on Shares 2010).

However, in the Federal Territory of Kuala Lumpur in Malaysia, the practice appears similar to *zakat* on savings where, although listed shares are liable to pay *zakat* at a rate of 2.5 percent, the market value used is the lowest price of the stock within the *haul*. In terms of unlisted shares, they are *zakatable* on their dividends only, rationalized by the difficulty of converting such shares to cash (*Zakat* on Shares 2009). This appears to vary from the Islamic *Fiqh* Academy ruling which stipulates

[42] Essential costs are deductible if shares are the only source of income.

that in the case of no stock market exchange, the appraisal is to be conducted by qualified experts (Islamic Development Bank and Islamic Fiqh Academy 2000).

ii. Mutual funds

Similar to shares, mutual funds[43] involve investment to purchase securities but compared to certain shares, open-ended mutual funds are relatively affordable, as they tend to involve relatively small denominations during the initial purchase and subsequent purchases (Garman and Forgue 2008). This means that investments are made into the mutual fund periodically, raising the question of the appropriate approach to its *zakatability*.

In discussing the issue of accrued assets, al-Qardawi (n.d.-a) details the work put forward by Ibn Qudamah, who highlighted that in the case of new assets of the same kind, but acquired independent of already owned assets, there are two views amongst classical jurists. One view advocates that new assets are not *zakatable*, while the other contends that it should be added to the existing assets, to be *zakatable* at the end of the year.

iii. Retirement funds

In ascertaining whether retirement funds are *zakatable*, it is imperative to firstly ascertain their ownership, such as clarifying whether the retirement funds can be accessed and disposed at will (al-Qardawi n.d.-a). If the funds are disposable at will, the ownership of the retirement funds should be treated similar to debt, whereby similar to the case of debtors being able to repay the debt, the retirement funds would be *zakatable* every year. However, if the retirement funds are similarly structured to a grant or gift, attained only at time of withdrawal, then they are *zakatable* only upon withdrawal.

[43] Mutual funds refers to a company which manages investments for its shareholders, to achieve specific objectives, such as investment in stocks for the purpose of capital appreciation and/or providing regular income (Mittra et al. 2005). In this subsection, the type of mutual fund that is discussed is open-ended funds; it is generally described as redeemable shares (compared to closed-ended funds) that can be purchased directly from the investment company or through a broker (Garman and Forgue 2008). A mutual fund is equivalent to a unit trust in the United Kingdom (Mutual Fund 2003).

It appears that ‘complete ownership’, a main condition of *zakatability,* is critical in ascertaining whether retirement funds such as Employee Provident Funds (EPFs) are *zakatable* immediately or only upon withdrawal. For example, the Federal Territory of Kuala Lumpur in Malaysia specifies that only when the EPF is withdrawn, will the employee be deemed to completely own the sum of money and be eligible for *zakat*. Further, it is not required to wait for a year to pass before the funds become *zakatable*. If the *nisab* is reached, the retirement fund is *zakatable* immediately upon withdrawal (Bayaran Zakat Kumpulan Wang Simpanan Pekerja (KWSP) Sejurus Pengeluaran - Satu Alternatif 2010; Zakat on Employee Provident Fund (EPF) 2009).

However, differences in views among scholars such as Kahf (2007) exist, stating that the amount deductible should be based on the amount vested or already owned by the individual, even though penalties exist if early withdrawal is made. Interestingly, the Islamic Religious Council of Singapore incorporates both views. If the individual faces no hardship in paying every year, he or she is obligated to pay yearly. On the other hand, if paying every year poses difficulties, the individual is allowed to pay upon the age of 55 (Zakat CPF 2010).

iv. Fixed income securities

Fixed income securities are also subject to *zakat* once the conditions are met. Even in the case of interest-bearing bonds, the majority of jurists consider bonds similar to hopeful debt[44] and therefore are *zakat* deductible at a rate of 2.5 percent. The fact that interest-bearing instruments are prohibited in Islam does not provide exemptions towards not paying *zakat* (al-Qardawi n.d.-a). However, the accrued interest or interest income is not *zakat* deductible, as interest income should be donated to charity (Kahf 2007).

v. Insurance/Takaful

Within the context of *takaful* policies that are similar to life insurance, *zakat* is deductible upon meeting the conditions of *nisab* and *haul,* based on the surrender

[44] Al-Qardawi (n.d.-a) notes that since the era of the Companions, the majority of jurists differentiates between two forms of debt: Hopeful debt (debt provided to those capable of payment) and doubtful/dead debt (debt provided to those incapable of repayment).

amount of the policy or total premiums paid, which is essentially the amount owned by the individual (Kahf 2007; Zakat on Insurance 2009).

vi. Rental of Real Estate

With regards to rental of real estates, there are differing views. For instance, al-Qardawi (n.d.-a) highlights only income received from rented assets are *zakatable*, at either a rate of 5 percent of gross profit or 10 percent of net profit. Meanwhile, an opposing view is that *zakat* on rented properties should be treated similarly to trade assets, that is *zakatable* based on the appraised value of the asset, including the remaining net earnings at year end, at a rate of 2.5 percent. This latter view appears to be similarly advocated by Kahf (2007), highlighting that *zakat* on rented real estates should be based on the net equity of the rented properties.

All in all, whether it is rental of buildings, stocks, mutual funds or any other asset, it is important for authorities to consider new forms of wealth, be it in stock form or flow of income. This is especially pertinent in consideration of the potential of these assets to grow, and the underlying rationale behind *zakat*.

The need to consider new forms of wealth is also relevant taking into account that countries, such as Saudi Arabia, Pakistan and Yemen which are known to follow historical or traditional definitions of *zakatable* assets, are witnessing low *zakat*-to-gross domestic products ratios (Kahf 1997 as cited in Ahmed 2004). In other words, the use of traditional perspectives of *zakatable* assets may be a contributing factor for the low ratios pertaining to *zakat* collection[45].

4.4.2 *Zakat* Beneficiaries

There are eight beneficiaries of *zakat*, which are not selected through whims of individuals but ordained by God as noted in the *Qur'an* (60: 9):

[45] In this context, further research needs to be undertaken as other factors may explain the low ratios such as low level of knowledge on *zakat*, ineffective collection methods, lack of trust due to minimal transparency of funds and perceived ineffectiveness in utilizing funds. Shirazi (2006), for instance, states that in general, collected *zakat* falls short of its potential because of the ineffective collection of *zakat*. For example, in Pakistan, among the reasons highlighted includes lack of deduction in all *zakatable* assets, loopholes in the system and exemptions to differing sects. Consequently, these factors leads to low confidence towards the government and low *zakat* collection, as individuals disburse their own *zakat* directly to the poor, religious schools and charity organizations.

> The alms are only for the **poor** and the **needy**, and **those who collect them**, and those **whose hearts are to be reconciled**, and **to free the captives** and **the debtors**, and **for the cause of Allah**, and (for) **the wayfarer**; a duty imposed by Allah. Allah is Knower, Wise.

From the above, it is clear that the primary objective of *zakat* relates to poverty alleviation, as five out of the eight categories of beneficiaries relate to those facing some form of poverty; the poor, the needy, the slaves, the debtors and the wayfarer[46] (Sadeq 1997). Within the context of beneficiaries that are directly relevant to Islamic financial planning, three types of beneficiaries are described in detail below.

However, before elaborating on the beneficiaries, it is important to highlight the relationship between the *zakat* payer and beneficiary. In paying *zakat*, as noted earlier, the *zakat* payer is not performing a favour to the beneficiary, for Islam emphasises that part of the wealth belongs to others within the community, who are in a relatively unfortunate position. Consequently, the beneficiary should not feel ashamed or disgraced for receiving *zakat*, for it is their right to receive it (Chapra 1992). The beneficiaries that are relevant to IFP are presented next.

a) The Poor and Needy

In differentiating between the poor and needy, the needy are generally stated as being in a more dire position than the poor, in the sense that the needy are totally deficient of wealth or far from being able to meet their basic human needs, while the poor are only partially deficient of such wealth or fulfilment of basic needs (al-Qardawi n.d.-b; de Zayas 1960). Within these two categories, Mawdudi includes individuals who are in need due to accidental circumstances, physical disability and old age, while al-Qardawi includes full-time students who need assistance to continue their education, irrespective of whether the education is secular or religious (Rahman 2003).

There are diverse viewpoints among jurists, as to the amount to be provided to the poor and needy. Little is known as to how the needs of beneficiaries were gauged or estimated during the life of the Prophet (pbuh) (Kahf 2000b). Therefore, among

[46] al-Qardawi (n.d.-b) noted that even if the wayfarer is rich, he/she is entitled to receive *zakat* due to being cut off from his/her wealth. Therefore, this can be viewed as a form of poverty; for instance, it is described that: "Al Tabari reports from Mujahid, 'The wayfarer has a right to *zakah* even if rich, as long as he or she is cut off from his or her wealth.' Ibn Zaid says, 'The wayfarer is the traveler, rich or poor, who has lost his means of expenditure or depleted them while on the road. Helping this person is obligatory.'" (al-Qardawi n.d.-b, p. 75).

jurists, al-Qardawi (n.d.-b) highlights there are two main views, towards disbursing *zakat* to the poor and needy.

1. To give as much as deemed sufficient to ensure minimal standards of living or basic needs are met. This implies not determining a specific amount.
2. To specify an amount that is distributed to all.

In stating that the former is in the spirit of *zakat*, the author notes that of those who do not specify an amount, jurists are also divided, whether to provide enough for one year or for an entire lifetime of needs. Those who argue in favour of lifetime needs argue that the provision should include an amount such that the beneficiaries would not need *zakat* in the future, while those who state a yearly benefit contend that the Prophet (pbuh) kept a year's supply of food for his family, and since *zakat* is collected on a yearly basis, so should its disbursement (al-Qardawi n.d.-b). Within the discussion that follows, al-Qardawi (n.d.-b), similar to some Hanbali scholars, subcategorises the poor and needy into two. On one hand, those unable to earn sufficient means due to a handicap or because they are elderly may qualify to earn yearly benefits of *zakat*, renewable annually. While on the other, those who can strive to earn to meet basic needs, should be given whatever is required to sustain their lifetime needs, such as capital and trade tools.

b) The Debtors

Another relevant beneficiary in the context of financial planning relates to individuals under debt. The Hanafi school of jurisprudence notes that anyone who does not reach the *nisab* beyond that required to pay off debt, is eligible for *zakat*, while other classical jurists such as Malik and al-Shafi'i differentiate *zakatability* depending on whether the debts were for personal use or caused by political/social responsibilities. In this context, if debts are incurred due to personal use, four conditions must be fulfilled to be entitled to receive *zakat* (al-Qardawi n.d.-b).

1. Those eligible must be in need of financial aid: Individuals possessing sufficient wealth to pay off debt are not eligible to receive *zakat*.
2. Debt incurred due to Islamically lawful purposes: Otherwise, providing *zakat* for prohibited activities implies encouragement to pursue them. However, if the individual repents, *zakat* may be provided.

3. Debt must be due immediately: There are mixed opinions as to whether deferred debt is *zakatable*.
4. Debt must be owed to other humans: If the debt pertains to obligations to God (such as due *zakat*) and compensation for breaking *Shari'ah* conditions, the debt is not eligible for *zakat*. However, the Malikis do not include this particular condition as a criterion, while the Hanafis considers due *zakat* as debt eligible for *zakat*.

In terms of debt for social purposes (such as debt incurred to reconcile individuals and groups), and debt as a result of public benefit (such as schools and orphanages), the jurists consider such debt as eligible to receive *zakat*[47] (al-Qardawi n.d.-b).

> Qubaisah bin al Mukhariq al Hilali says, "I accepted a financial responsibility [to reconcile two disputing groups] and I went to the Messenger of God (P) to ask for help. He said, "Stay here until [the proceeds of] *zakah* come, so we can give you from it." The Prophet Continued [*sic*], "O Qubaisah, asking is not permissible except for three persons: One who accepts financial responsibility [for reconciling people] may lawfully ask until that financial charge is satisfied. Then he must not seek any more help. One who is struck by disaster that wipes out his wealth may lawfully ask until he reaches a satisfactory level of sustenance, and one hit by poverty such that three wise clansman confirm that he is struck by poverty may ask until he procures sufficiency of sustenance. O Qubaisah, any asking beyond that is evil. It is eaten by the person who accepts it as evil."[48]

Further, de Zayas (1960) highlighted that whether the debt is for altruistic or personal reasons, another criterion is for the debtor to pursue all efforts to pay off the debt. When any further action leads to poverty or undue stress, only then would the person have a right to the *zakat* funds.

4.4.2.1 Fulfilment of basic needs

A fundamental aspect in the disbursement of *zakat* lies in identifying the basic needs that must be fulfiled. Fulfilment of basic needs is deemed as the most notable feature of an Islamic distributive system, which implies the importance of eradicating absolute poverty (Ahmad 1991).

[47] In the context of debt incurred due to social purposes, some Shafi'i jurists allow *zakat* to be provided even if the person is rich (al-Qardawi n.d.-b).
[48] Reported by Ahmad, Muslim, al Nasa'i and Abu Daud. See al-Qardawi (n.d.-b, pp. 52-53).

Therefore, Siddiqi (1996) highlights that in guaranteeing a minimum standard of living, fulfilment of basic needs includes food, shelter/housing, clothing, aid for trade tools, electricity, education for the illiterate, medical care, transport, relevant survival needs of the blind, among others, whether it is provided by *zakat* or other sources of funds. Aside from fulfilling basic needs, other specific needs that should be considered are educational finances for children in poor families and distress relief (Ahmad 1991).

This emphasis on fulfilling basic needs is reflected in *zakat* practices. For instance in the state of Selangor in Malaysia, the *zakat* authorities consider six categories of basic needs to ascertain an applicant's eligibility to receive *zakat*, within the category of 'poor' and 'needy'. These categories include sufficiency of housing/shelter, food, clothing, medications, education and transportation. If the household income of the applicant is below the level deemed sufficient within these categories, only then are the applicants eligible to receive *zakat* (Siapa Yang Layak Menerima Zakat? n.d.). With respect to the above needs, it is therefore common to find *zakat* disbursed in various forms that meet the short-term or immediate needs of the beneficiaries. Within a financial planning context, this refers to forms of disbursement that relieve the money management burdens of beneficiaries; such disbursements generally take the form of cash, food supplies, educational allowances/scholarships as well as rental subsidies and repairs to housing. These forms of disbursements help to direct the beneficiaries' income towards other needs and at which any surplus amount should ultimately be saved for the future, be it in the form of emergency funds or long-term goals such as retirement.

4.4.2.2 Fulfilment of emergency needs

Aside from basic needs, in terms of fulfilling temporary or emergency needs such as when accidents occur, Siddiqi (1996) recommends creating a state-administered social insurance scheme to minimise the financial strain on the government. Taking this one step further, within the context of *zakat*, Ahmed (2004) highlights that *zakat* funds can be used to pay for *takaful* premiums.

Providing *zakat* in the form of a premium can be carried out on a yearly basis for the non-productive poor, such as the elderly or handicapped, or on a defined period of time for the productive poor, up to the extent where he or she is expected to be self-sufficient. Additionally, disbursement of *zakat* in the form of *takaful* premiums will also benefit the beneficiaries from a financial exclusion perspective, as it gradually introduces beneficiaries who were once financially excluded from mainstream financial institutions, to be comfortable with financial products and services.

Furthermore, creating *takaful* policies for *zakat* beneficiaries will also indirectly benefit the institution of *zakat.* By using a relatively smaller portion of *zakat* to pay premiums, *zakat* funds will not be overly stretched, should an unexpected event occur, as the *takaful* schemes will assist the *takaful* participants accordingly.

4.4.3 *Zakat* Institutions

4.4.3.1 Differentiation of *zakat* approaches between those who can and cannot work

In order to effectively fulfil the basic needs of the poor and needy, it is important to utilize varying approaches in providing *zakat* for those who are productive or are able to work, versus those who are unable to work, such as the elderly and handicapped (Ahmed 2004; al-Qardawi n.d.-b). For the productive poor, the aim should be to enhance individuals' capacity to earn or create more wealth, via assistance in the form of human, physical and/or financial capital, with the intention of not only meeting immediate and basic needs in the present context, but also in the future; thus converting a *zakat* beneficiary to a *zakat* payer. Such assistance can take the form of training and education as well as provision of capital, business or trade tools, using *zakat* funds to facilitate self-supporting efforts (Ahmad 1991; Ahmed 2004). For those unable to work or who are considered non-productive due to old-age, physical disability or illness, it is the state's responsibility to assist in maintaining a minimum standard of living, be it through income support or in kind (Siddiqi 1996).

The importance of creating varying strategies for these two groups of beneficiaries is pivotal to avoid the moral hazard of creating beneficiaries that are heavily dependent upon income support, without attempting to maximize their potential productivity. As Ahmed (2004, p. 64) states, "if the productive group is treated like an unproductive one and given periodic handouts, the problem of poverty of the former group will continue to persist". Another rationale towards empowering the productive poor is to ensure their self-respect is not affected. Since Islam places high regard on ensuring such assistance does not diminish the pride and dignity of the poor, empowering individuals with tools, training or other methods would help individuals to improve their own situation and become self-supporting without denting their self-respect (Ahmad 1991).

Nonetheless, there may be instances in which it is essential to provide income support to the productive poor such as those who strive but are not currently able to achieve the minimum living standard. In this case, the household may be provided with income support to reach an acceptable living standard, while at the same time, given other forms of aid such as training, financial capital, trade tools and other approaches that can enhance their productivity and income level (Chapra 1992). In this instance, by providing income support, situations where financial capital or other productive assets are diverted to personal use will be prevented (Ahmed 2004).

Although the above paragraphs explicitly mention *zakat*, the distinction of approaches between those who can work and those who cannot, applies in any context. For example, in financial planning, creating a savings product that incentivises and rewards savers may encourage the productive poor to save, when extra cash becomes available. On the other hand, such a financial product would be relatively less useful for the non-productive poor, as they may be dependent on income support to sustain their livelihood.

4.4.3.2 Creation of profit-generating projects using *zakat* funds

After using *zakat* to fulfil basic needs, any surplus funds should be considered for investment in profit-generating projects, as long as they benefit the recipients and there are guarantees against losses (Islamic Development Bank and Islamic Fiqh Academy 2000). According to the Fatwa Committee of the Ministry of Awqaf and Islamic Affairs in Kuwait, it is also permissible to use *zakat* funds to build and operate hospitals, orphanages and the like, at which the rich would have to pay for usage of the facilities (Ahmed 2004).

A relatively complex and extensive approach towards using under-utilized, surplus *zakat* funds is through financing socio-economic diversified projects, as advocated by Anwar (1995). The author contends that long-term investments in a diversified portfolio of projects would benefit *zakat* beneficiaries by hiring the unemployed among the beneficiaries. In addition, *zakat* beneficiaries could become financial partners and benefit from earning dividends from shares of the project; beneficiaries would also be given the opportunity to redeem the shares at market or par value, whichever is greater.

The key challenge is to identify profitable projects, which would avoid losses and ensure economic sustainability, especially if shares are to be redeemed at par or market value, whichever is higher. However, in the event of losses, the author states government guarantees and the creation of a loss reserve account may mitigate such occurrences. Another challenge lies in the notion of including *zakat* beneficiaries to become financial partners, which may not be popular or desirable for those in the extreme end of poverty. One may contend that, if the basic needs of the poor cannot be currently met, it is unlikely that they are interested in becoming financial partners. Therefore, *zakat* beneficiaries in this context are likely to be non-poor beneficiaries or those in the margins of poverty. Nonetheless, the notion of creating profitable projects for the benefit of the poor is especially admirable, but it may perhaps be best served by using other sources of funds or avenues, such as that of *awqaf*.

4.5 AWQAF

Similar to *zakat*, *awqaf (*plural of *waqf)* is another form of charity (*sadaqah*). However, unlike *zakat*, *awqaf* is voluntary. Kahf (2003, p. 2) defines *waqf* as "…holding certain property and preserving it for the confined benefit of certain philanthropy and prohibiting any use or disposition of it outside of its specific objective."

At the spiritual or religious level, *awqaf* is a special kind of charity as it is an ongoing form of charity (*sadaqah jariyah*), which is highly encouraged to all Muslims as highlighted by the Saying of Prophet Muhammad (pbuh).

> The Messenger of God (pbuh) said: Whence a child of Adam dies, his/her deed comes to an end except for three things: an ongoing sadaqah, knowledge that benefits (others), and a righteous child who prays for him/her.[49]

[49] Reported by Muslim, Tirmidhi, Abu Dawud, Nasa'I and Ibn Majah. See Ahmed (2004, p. 28) and Haqqi (1999, p. 189).

In the literal sense, *waqf* means stand still, hold still, not to let go, stopping, resting, suspension, detention, tying up. Aji Haqqi (1999) states the term also implies forbidding the sale or exchange of something and this means in *awqaf*, when a corpus is donated, the principal must be maintained.

To illustrate *awqaf* further, the conditions of *awqaf*, as noted by Kahf (n.d.), are:

1. Perpetuity[50]: In a *waqf*, the corpus of the donated thing (*mawquf*) should be maintained and only the usufruct is utilized, such as *waqf* of a shopping mall where the shop rentals are used to help the poor.

   According to Al-Zarqa (1994), this lasting characteristic implies that the revenues of the *waqf* should firstly be spent on the maintenance of the *mawquf* before any wage is paid to the manager of the *waqf*, and the remainder goes to the beneficiaries as noted in the *waqf* deed.

2. Given on a permanent basis: Once a donation is made, the donor (*waqif*) cannot renege on the donation. Additionally, the *mawquf* cannot be included in any form of inheritance to heirs, given as a gift or sold to another party.

   This is because from a legal perspective, it is generally acknowledged that the ownership of the corpus does not belong to the *waqif* any longer; some jurists state the ownership belongs to God, while others highlight the right of ownership belongs to the beneficiaries, although their ownership is incomplete and they are not allowed to sell or donate the corpus (Kahf 1995). Further, Kahf (2003) highlights the stipulations of the *waqif* (for instance, a stipulation stating that the beneficiaries are orphans) are also deemed to be permanent, as long as the stipulations do not go against *Shari'ah*. If the stipulation becomes unfeasible for whatever reason, the *waqf* should be used for the nearest or for near-similar conditions or stipulations. However, if that is also not possible, then it should go to the poor and needy, in the case of beneficiaries.

   Aside from the permanent form of *awqaf*, temporary *awqaf* has also been generally accepted, as reflected by the decision of the Council of Fiqh

[50] Note however that in 2009, the Council of Fiqh Academy had accepted temporary form of *awqaf*. Temporary awqaf is described in the ensuing paragraph.

Academy in 2009, stating that “[e]ndowment can be segregated into permanent and temporary endowment, individual and common property, real property, benefit, money, estate and movable item.” (OIC Fiqh Academy (19th Session) n.d., p. 3).

3. The donor of the *waqf* or the *waqif* must be legally fit.

4. The purpose in undertaking the *waqf* must be for charity from the *Shari'ah* and *waqif*'s view.

5. The beneficiaries or purpose(s) of the *waqf* must be for the living.

In view of the conditions above, a distinct characteristic of *awqaf*, relative to *zakat* is the inherent flexibility in it. In *awqaf*, it is left to the *waqif* to decide who is to receive the benefits or usufruct of the *waqf*, how much the beneficiaries should receive and how the *waqf* is to be managed. However, it should be noted that in some cases, jurists might not allow certain conditions, such as setting a *waqf* for the rich or male descendants only (Zarqa 1947 as cited in Ahmed 2004). This is especially pertinent in view of the fourth condition, highlighting that the intention of *awqaf* is to contribute to charity, whereas *waqf* for the rich is not a charitable act per se (Kahf 1995).

Awqaf can be categorized in different ways. Ahmed (2004) categorized the institutions, depending on their beneficiaries and nature of charity. In terms of beneficiaries, *awqaf* could be intended for the public at large. Otherwise, it could be intended for private beneficiaries only, such as for family members. It is also possible for the beneficiaries to be a mix of both public and private beneficiaries; for instance 20 percent of the rental income of the land goes to family members while 80 percent is meant to assist the destitute and orphans. Where the nature of charity is concerned, *awqaf* could fall under ‘religious *awqaf*’ such as mosques or land donated for Muslim burials. Alternatively, it could be ‘philanthropic *awqaf*’ such as libraries and hospitals, donated for the respective groups that utilize the facilities.

Kahf (2000a as cited in Ahmed 2004) categorises *awqaf* as philanthropic, religious or private. Within the respective category, there is a further subcategory of direct *awqaf* and investment *awqaf*, with the former referring to *awqaf* that benefits the beneficiaries directly, such as hospitals or mosques, while the latter refers to *awqaf* that involves investment of the *mawquf* (for example, shopping malls), from which the resulting outcome (for example, revenue) is then used for the beneficiaries.

4.5.1 *Awqaf* Donors and Recipients

Prophet Muhammad (pbuh) not only encouraged creating *awqaf* but also carried it out himself. A notable *waqf* made by the Prophet (pbuh) includes the purchase of land and construction of mosque, known as the Prophet's Mosque in Madinah. *Awqaf* was also created by his companions, such as Uthman bin Affan who bought a well in Madinah at a time when water was expensively priced, and the water was then made freely available to the public.

Aside from donating real estate and land for *awqaf*, there is also evidence of the use of cash in *awqaf*. This could take the form of either an interest-free loan to beneficiaries, or cash could be invested and the resulting profit is used for the beneficiaries (Ahmed 2004). During the Ottoman period, cash *awqaf* was also utilized using the concept of '*istiglal'*, which will be elaborated further in the following pages.

With respect to the beneficiaries of *awqaf*, Kahf (1995) highlights three popular beneficiaries, to which the revenues of *awqaf* are donated. Firstly, the author contends that mosques, salaries of religious officials and teachers are the largest recipients of *awqaf*. The second largest beneficiary is education, which includes secular education, and thirdly, other popular recipients of *awqaf* throughout history are the poor, needy, orphans and the like. However, as a concept, the beneficiaries or the purposes of the *waqf* are not restricted to the above and can range widely from social purposes such as helping individuals to attain marriage, to educational purposes such as providing funds for scholarships or research in mathematics and so on, depending on the *waqf* deeds or objectives of the *waqif* (Ahmed 2004).

4.5.2 *Awqaf* Institutions

4.5.2.1 Historical practices of *awqaf* institutions

In the history of Islam, the popularity and enthusiasm in creating *awqaf* institutions was reflected by the range of services and facilities created by the institutions. Before the twentieth century, public services and facilities in some Islamic states were generally created by *awqaf* institutions and not the government. The construction and maintenance of roads, schools, libraries, mosques and sewage systems, among other things, were almost entirely financed and taken care of by *awqaf* institutions, with no cost to the government at all (Boudjellal 2008; Cizakca 1998; Hoexter 1998).

The institution of *awqaf* also went beyond social services to include matters of security and defence such as the construction of high walls and the digging of ditches (Salih 1999). Recent history also demonstrates the popularity of *awqaf*, as exemplified by the records of *awqaf* land. Qureshi (1967, pp. 186-187 as cited in Boudjellal 2008) states:

> "Three quarters of all the arable land in the former Ottoman Empire was assigned to *waqfs*; in Algeria, under French occupation in the nineteenth century, *waqf* comprised half the lands of the country; in the same period, *waqf* comprised one-third of the land in Tunisia; in Egypt in 1949, about one-eighth of the agricultural land was assigned to *waqfs*".

However, the history of *awqaf* has not been without exploitation and controversy. One of the worrying instances relates to the use of *awqaf* in some communities, which involves the element of *riba*, be it explicit or inherent. For example, the practice of cash *awqaf* during the Ottoman Empire involved the concept of *istiqlal*[51], *which* essentially circumvents the prohibition of *riba* in form, but not in economic substance (Cizakca 1998). The use of interest was also reported in Russia prior to the revolution, where cash *awqaf* was used as loans to finance students of religious schools and mosques among others, but the beneficiary was charged *riba* (New Horizon 2009).

Despite these controversies, *awqaf* for instance during the Ottoman period continued to flourish (Cizakca n.d.), until around the mid-twentieth century when *awqaf* no longer played a significant role in the economic development of many Muslim countries (New Horizon 2009). *Awqaf* institutions' influence and enthusiasm diminished significantly, as modern reforms led *awqaf* to become highly regulated, nationalised or even abolished (UN-Habitat 2005).

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[51] *Istiqlal* can be viewed as a sale, whereby the seller (borrower) sells a real estate to the buyer (lender), with the latter leasing the estate to the former in return for 'rent'. Within a period of time, the borrower is expected to fulfil the debt owed, and the real estate, which essentially is a collateral, is returned to the borrower. Here, one may argue that the 'rent' and contractual arrangement may perhaps be acceptable in legal form, but in substance, is similar to interest-based arrangements (Cizakca 1998).

Numerous reasons are highlighted for its diminished influence where, among others, state concerns that the provision of basic foodstuffs for the masses was in jeopardy, due to the greater number of *waqf* lands as compared to state-owned lands, led to the take-over of the former. In other cases, instances of rich farmers converting illegally acquired land to *waqf* properties in order to avoid confiscation, also prompted *waqf* properties to be taken over by the state (Cizakca 2002).

Cizakca (1998) notes that one of the notable reasons for the diminishing influence of *awqaf* was due to colonialism that was hostile to *awqaf* institutions. For instance, Al Ajfan (1985 as cited in Kahf 2003) notes in 1831, the French occupation of Algeria controlled *awqaf* properties to stifle religious leaders who fought against them.

Another factor that contributed to the decline of *awqaf* institutions occurred after the independence of numerous Muslim countries, where local modernists who supported and were persuaded by the colonial power, contributed to the diminishing influence of *awqaf* (Cizakca 1998). For example, in Egypt, Syria, Turkey and Algeria, the government leaders took a negative view of *awqaf* institutions, curtailing them as public property, distributing them via land reforms or other means, while taking responsibility for the expenses of mosques and religious schools (Kahf 2003), consequently leaving the term '*awqaf*' to relate to mosques after "being stripped of its developmental and productive content" (Kahf 1995, p. 316). Furthermore, in certain cases, concerns by governments about the increasing economic independence and social legitimacy attained by religious *ulama* were another reason for *awqaf*'s decline (UN-Habitat 2005).

Ahmed (2004) highlights two additional reasons for government control of the institutions. Firstly, corruption and mismanagement by the trustees or managers of the *waqf* is said to have contributed to the takeover. Kahf (2003) also concurs that corruption and mistrust were prevalent, but notes government control was an over-reaction, bringing about negative effects of placing the voluntary institution under government control, such as the problem of bureaucratic tendencies. Secondly, Ahmed (2004) notes that the loss of *waqf* deeds and difficulty in locating *waqf* deeds also led the government to control the institutions.

Despite the diminishing influence, there appears to be a form of revival, igniting the popularity of *awqaf* over recent years. Numerous Muslim countries have established government agencies to administer *awqaf* matters. The revival in the 1990s, as noted by Kahf (2000a as cited in Ahmed 2004), includes Sudan and Kuwait, inviting funds onto projects to create new *awqaf* or enhance existing *awqaf* properties. Examples of revival are also evident in Singapore where the Islamic Religious Council of Singapore or Majlis Ugama Islam Singapore (MUIS) highlighted that returns from *waqf* rentals handled by MUIS rose from SGD 198,911 in 1990 to SGD 4,114,461 in 2005 (Abdul Karim n.d.).

4.5.2.2 Need for philanthropic *awqaf*

Ahmed (2004), in analysing the *awqaf* practices in Malaysia, Pakistan and South Africa, highlights that most of the *awqaf* institutions fall under the category of religious rather than philanthropic. Although religious *awqaf* are pious in their own right, the fact that relatively few institutions focus on philanthropic objectives means that *awqaf* is unlikely to result in socio-economic progress and development. In other words, a more philanthropic *waqf* institution would create avenues for revenue-generating projects, which would subsequently increase employment, spur investment within the locality and generate other economic benefits.

One particular avenue towards encouraging philanthropic *awqaf* donations is through cash *awqaf*. Traditional approaches to cash *awqaf* include utilizing the donated cash directly as interest-free loans to beneficiaries, or the cash is invested and only the returns are provided to the beneficiaries (Ahmed 2004; Hasan and Shahid 2010). Cizakca (n.d.) highlights that a modern form of cash *waqf* may take the form of the purchase of shares in incorporated joint-stock companies. Here, the returns of the shares are given out to the respective beneficiaries noted in the *waqf* deed, while a portion would be reinvested to purchase more shares to add to the *waqf*; thus enhancing the perpetuity of the *waqf*. A significant advantage of providing cash as the *mawquf*, compared to immovable assets such as land, is that it opens up the idea of *awqaf* for those who cannot afford the latter type of endowment.

Further, cash *awqaf* is also notably flexible, in terms of its relative liquidity. Take for instance, cash *waqf* and *waqf* shares, where both may involve the practice of securitization. Here, the need for funds is broken down into relatively small denominations that can be acquired in the form of *waqf* certificates. The funds can then be used to purchase real estate from which the rental is provided to the beneficiaries. In the case of *waqf* shares, the real estate represents the *mawquf* but in the case of cash *waqf*, the *mawquf* is the accumulated funds. Therefore, in a cash *waqf*, the real estate could be liquidated to attain profit, or to minimize losses to avoid the value of the cash *waqf* from eroding (Haji Mohammad 2009).

In addition to the inherent flexibility of cash being the *mawquf*, the use of cash *awqaf* also opens up opportunities to synthesize with other Islamic financial instruments. One particular avenue is the synthesis of *waqf* with *takaful* or Islamic insurance. For example, Khan (2003 as cited in Ahmed 2004) notes the proposal of the Council of Islamic Ideology of Pakistan towards creating a Mutual Guarantee Fund, in which the capital is comprised of *waqf* funds given periodically by donors, and the funds will be used to mutually assist participants in times of need. Hashim (2007) also touches upon the synthesis of *waqf* and *takaful* resulting in a '*Takaful Waqf* Plan' as he analyses the practice of Syarikat *Takaful* Malaysia Berhad. The plan attracts younger, middle-income contributors, in comparison to the conventional *waqf* approach, which presumes a rich *waqif* donating the scarce resource of land or real estate. Further, this plan essentially provides the opportunity to accumulate wealth for *waqf* purposes, while also being assured that one can still contribute to *waqf* even if one passes away before the *takaful* contract ends.

With the use of cash *awqaf*, there are also calls to rejuvenate the financing mode, *mudarabah* that once had been pronounced as the ideal financial instrument for Islamic banks to serve their entrepreneurial customers. Cizakca (1998) highlights that one of the main impediments on the use of *mudarabah* by Islamic banks is the liquidity risk, due to the financial mismatch between short-term deposits and long-term *mudarabah* commitments. With the use of *awqaf* funds, instead of short-term deposits, such liquidity risk is overcome.

Another potential application of cash *awqaf* is in micro financing, whereby the lack of funds inhibits the expansion of Islamic Micro Finance Institutions. In this context, the use of *awqaf* may assist to mitigate this issue, such as by using the returns from *awqaf* to finance entrepreneurs, or by using a significant amount of the *awqaf*, as long as risk management techniques can be applied to retain its perpetuity (Ahmed 2007).

Overall, where *awqaf* and financial planning is concerned, the creation of philanthropic *awqaf* such as hospitals and subsidised public transport for the poor, would at the very least, assist in reducing the money management burdens of the poor, providing them with opportunities to save funds for emergency purposes or future events.

4.6 TOWARDS AN INCLUSIVE ISLAMIC FINANCIAL PLANNING FRAMEWORK USING *ZAKAT* AND *AWQAF*

Imboden (2005, p. 67) defines an inclusive financial sector as one that “offers the majority of the population, on a sustainable basis, access to a range of financial services suited to their needs”. As a financial service, financial planning has evolved from one that serves affluent clientele prior to the 1970s, within the United States, to one which, since then, has also served the middle-income market (Altfest 2004, 2007). The pertinent question is, whether this financial service can develop further to benefit those on low-incomes and in poverty.

As described in chapter 2, Xiao and Noring (1994) and Xiao and Anderson (1997) highlighted in their studies, that participants’ financial needs displayed a hierarchical form, taking perceived saving motives and types of financial assets as proxies for financial needs respectively.

Figure 4.1 A Hierarchical Form of Perceived Saving Motives

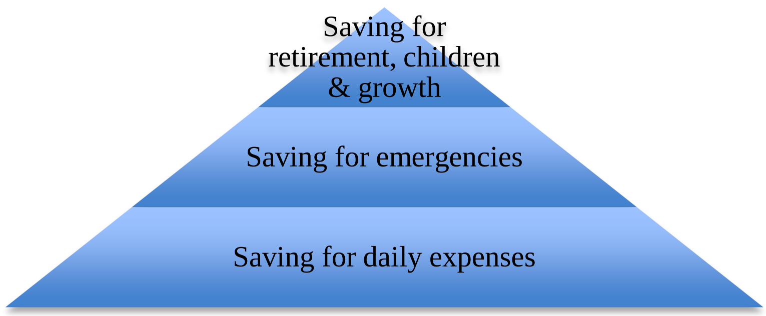
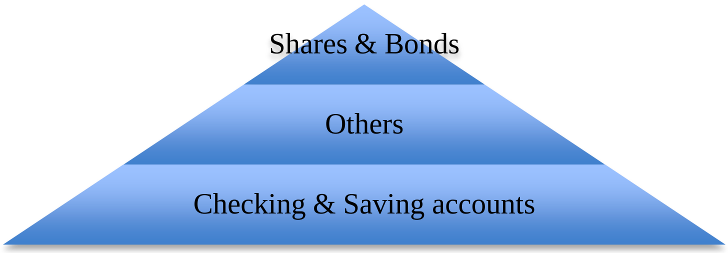
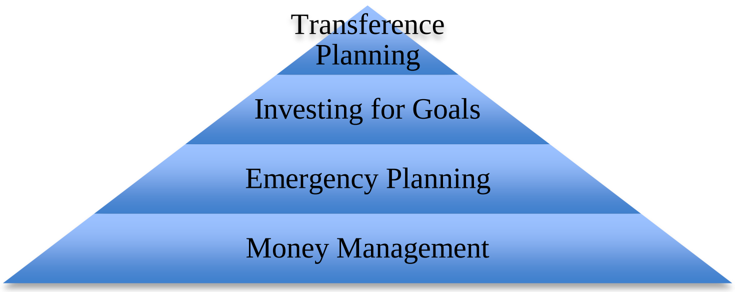


Figure 4.2 A Hierarchical Form of Financial Assets[52]



Taking Figure 4.1 and 4.2 into account, one may contend that Chieffe and Rakes (1999)'s model, discussed in earlier chapters, can also be conceptualised into a hierarchical form as shown in Figure 4.3.

Figure 4.3 A Hierarchical Form of Financial Planning



This contention is also based upon the qualitative analysis by Kempson and Collard (2005) noted in Chapter 2, which implies the importance of a hierarchical form of financial planning.

In relation to net surplus households/non-poor and an inclusive IFP framework, the IFP approach for net surplus households would be similar to Chieffe and Rakes (1999)'s model, as shown in Figure 4.3 with some adjustments such as payment of *zakat*. The availability of surplus funds means that net surplus households are able to utilize mainstream financial products offered by contemporary IFIs, as such households are less likely to be financially excluded relative to net deficit households.

For those on low incomes and in poverty (net deficit households), the IFP approach would need to be significantly different due to the lack of surplus funds from the

[52] 'Others' refers to value life insurance, certificate of deposits and money market accounts, among others, which are considered to fulfil the middle-level security needs of households.

onset, as well as the issues they face, where financial exclusion is concerned. The hierarchical structure noted in Figure 4.3 will need to be refined using *zakat* and *awqaf,* as well as other components such as financial literacy and financial inclusion that were described in Chapter 2 and 3 respectively.

The insertion of *zakat* and *awqaf* within an inclusive IFP framework is essential and cannot be underestimated, as these components play a crucial role as sources of funds within the framework. The absence of *zakat* and *awqaf* within the inclusive framework would bring into question the capacity for the relevant financial approaches to operate, especially bearing in mind the role of *zakat* towards poverty alleviation.

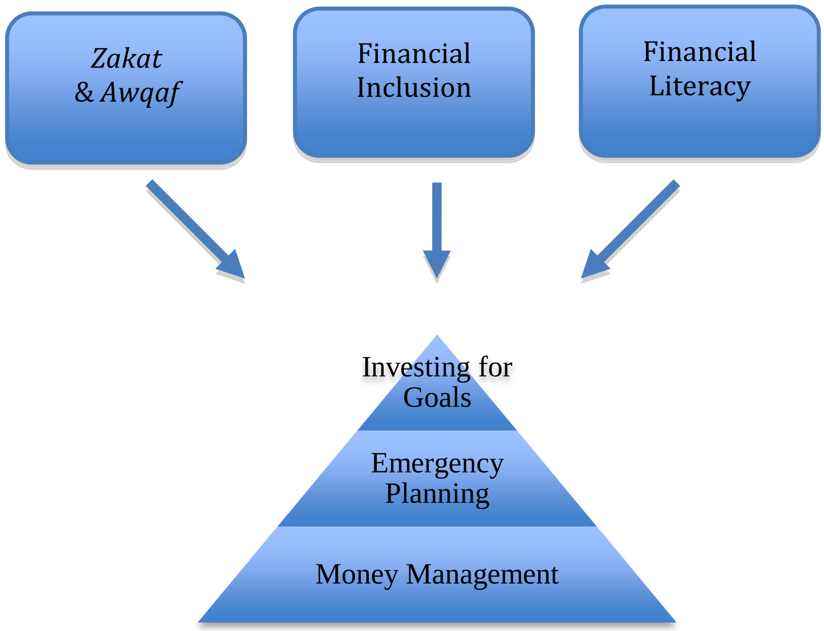
In that regard, the distinction between 'giving' (by net surplus households) and 'receiving' (by net deficit households) needs to be highlighted. In an inclusive framework, financial planning related to net deficit households involves 'receiving', be it directly or indirectly, funds from *zakat* and *awqaf* institutions. Meanwhile, within the framework, financial planning related to net surplus households involves 'giving' *zakat* and the creation of *awqaf* assets. Therefore, the establishment of an inclusive IFP framework would need to distinguish between *zakat* and *awqaf* approaches that are relevant to net deficit households vis-à-vis net surplus households[53].

As a whole, an inclusive IFP hierarchical structure that meets the needs of net deficit households will be required to accommodate the components highlighted in Figure 4.4; only with the integration of these components would the necessary basis to establish an inclusive IFP framework in Brunei Darussalam be provided.

Figure 4.4 provides the basis for an inclusive IFP framework for net deficit households, where Maslow's hierarchical framework explains that human needs are hierarchical and that once lower-level needs are met, higher-level needs are then considered, which are in line with the conceptual framework of this research.

[53] This differentiation between zakat and awqaf approaches that are relevant to net deficit households, compared to net surplus households will be touched further in Section 10.4 (Chapter 10).

Figure 4.4 Establishing an Inclusive IFP Framework with the Integration of Financial Planning, *Zakat, Awqaf*, Financial Inclusion and Financial Literacy[54]



As highlighted in Chapter 2, Xiao and Noring (1994), and Xiao and Anderson (1997) similarly contend that financial needs are hierarchical in nature, and could be depicted along Maslow's hierarchy of needs. In their respective studies, the authors stressed that human needs are hierarchical in order, where once lower-level financial needs (such as saving for daily expenses or the usage of bank accounts) are met, individuals will then strive for higher-level financial needs (such as saving for retirement or the usage of investment products). Xiao and Noring (1994) in applying the theory in addressing household's finances also raised further assumptions. Firstly, the motivations involved with current and future needs are defined as financial needs. Secondly, these financial needs are akin to human needs. Thirdly, financial needs related to current consumption are deemed as lower-level needs, and financial needs related to future consumption are considered as higher-level needs. In this study, the above-mentioned assumptions are also incorporated, as the hierarchy of financial needs provide a better understanding of how individuals deal with financial needs, be it their saving motives or the usage of financial products.

[54] Transference planning is omitted from the financial planning approach for net deficit households, as the first three components are higher in priority.

As described in Chapter 2, the findings of Xiao and Noring (1994), and Xiao and Anderson (1997) on perceived saving motives and composition of financial assets reflects and stresses on the existence of a form of hierarchical needs, in line with Maslow's theory. Furthermore, as also highlighted in Chapter 2, the contention of a hierarchy of financial planning is also based on Kempson and Collard (2005), where in practice, the financial advice provided by financial intermediaries in their study tend to exhibit a hierarchical form of financial planning.

In view of the above studies, notably Xiao and Noring (1994), and Xiao and Anderson (1997) which use Maslow's theory in their framework, and which provide empirical support in better understanding financial needs, this study adopts Maslow's theory in a similar conceptual basis, to describe financial planning needs in line with the perceived saving motives and an individual's usage/access of financial products. In the next few chapters, the research objectives, research questions and the resulting research/fieldwork are outlined, with a view to ascertain the specific details that comprise each layer of the hierarchy.

4.7 CONCLUSION

While *zakat* and *awqaf* have, for many centuries, both played their roles in alleviating poverty and ensuring an equitable distribution of wealth, the 'financial way of life' for individuals has evolved. Debates and political discussions concerning pension plans and retirement issues are commonplace in many countries. In the marketplace, financial products are becoming increasingly complex and diverse, while in the realm of personal finance, individuals are gradually expected to become financially literate and capable of managing their own finance.

It is therefore pertinent to analyse the potential for *zakat*, *awqaf* and financial planning to create an inclusive Islamic financial planning framework that can serve low-income households. Such a framework would enhance the capability to combat poverty, both in the short-run, where money management and emergency planning are concerned, as well as in the long run where future goals come into play. Furthermore, two additional components play value-added roles towards establishing this framework, namely financial inclusion and financial literacy.

All in all, these components are expected to enhance an Islamic financial planning framework, for it is of paramount importance that within Islamic finance, any financial product or service must not be restricted to the wealthy and middle-income households only. If such a product or service provides financial benefit, it must be refined and become available to low-income households accordingly. Otherwise, the objective of avoiding the concentration of wealth in the hands of the few is unlikely to be realised.

Chapter 5

PERSONAL FINANCE AND POVERTY IN BRUNEI DARUSSALAM

5.1 INTRODUCTION

Blessed with natural resources of oil and gas, Brunei Darussalam, with a population of approximately 406,200 and a total land area of 5,765 sq. km, has one of the highest GDP per capita within the region at $48,194[55], and a GDP of $19.576 billion[1] in 2009 (Asian Development Bank 2010; Department of Statistics 2009a). Islam is the official religion in the Sultanate, with 66 percent of the population being Muslims[56] (Brunei Economic Development Board n.d.-c). Economically, the country is generally viewed as being stable, as reflected during the recent global downturn, with its limited exposure to toxic assets as well as adequacy of capital and large structural liquidity (International Monetary Fund 2010).

At present, the country is pursuing a national vision known as 'Vision Brunei 2035', encompassing numerous strategies including the creation of economic opportunities beyond the oil and gas industry. Oil and gas currently account for over 90 percent of total exports and 50 percent of the GDP (Brunei Economic Development Board n.d.-a, n.d.-b), highlighting the need to diversify the economy further amid concerns of fluctuating oil prices (ASEAN and World Bank n.d.). Towards this national vision, Brunei is developing its human development capacity, as exemplified by its literacy rate of 94.9 percent, and a Human Development Index (HDI) of 0.805 in 2010, ranking Brunei 37th globally, as well as one of the highest in ASEAN and the Islamic world (Brunei Economic Development Board n.d.-c; United Nations Development Programme 2010).

However, several challenges persist. Over the past few years, issues concerning personal finance and poverty have increasingly been highlighted in Brunei. In terms of personal finance, numerous regulations have been created, such as restrictions on

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[55] Units pertain to current international dollars, and purchasing power parity.

[56] The remainder of the population are Buddhists (13 percent), Christians (10 percent) and those who profess other faiths (10 percent) (Central Intelligence Agency 2013, February 5).

credit cards, financing and the introduction of the Supplemental Contributory Pension. In terms of poverty, the issue is constantly highlighted by His Majesty Sultan Haji Hassanal Bolkiah, the ruler of Brunei, throughout his periodic speeches, such as the goal of achieving zero poverty by 2035 (Han 2008, March 5).

In this chapter, the financial services and personal financial matters pertaining to Brunei will be discussed, notably within the realm of money management and investing for goals. Additionally, poverty alleviation efforts by the relevant government agencies will be highlighted, as well as the institutions of *zakat* and *awqaf* in Brunei.

5.2 FINANCIAL SERVICES IN BRUNEI DARUSSALAM

The number of financial institutions, licensed holders and funds in Brunei are listed in Table 5.1, categorised in relation to Chieffe and Rakes (1999)'s financial planning model highlighted in Chapter 2, within the context of Money Management, Emergency Planning, Investing for Goals and Transference Planning.

Table 5.1 Number of Financial Institutions, Licensed Holders and Funds in Brunei

Money Management	Emergency Planning	Investing for Goals/ Transference Planning
• 8 conventional banks • 2 conventional finance companies • 1 Islamic bank • 1 Islamic trust fund • 1 Islamic finance company • 24 money changers • 22 money remittance businesses • 1 pawn broker • 4 offshore international banks	• 9 insurance companies • 4 *takaful* operators • 4 international insurers/brokers and adjusters	• 15 investment advisers/ representatives and dealers • 3 mutual fund operators • 23 mutual funds • 11 trust companies

Source: Authoriti Monetari Brunei Darussalam (2012)

One of the notable aspects of financial services in Brunei relates to credit facilities. Tables 5.2(a) and (b) shows the prevalence of consumer loans in Brunei between 2005 and 2011, with over three billion Brunei Dollars or approximately sixty percent of loans provided by commercial banks every year as personal loans/financing.

Table 5.2(a) Direction of Loans by Commercial Banks in Brunei (end of period 2005-2011; in millions of Brunei Dollar)

	2005	2006	2007	2008	2009	2010	2011		
							Mar.	June	Sept.
Total loans	5,932	5,819	6,036	6,113	5,577	5,174	5,127	4,713	4,834
Agricultural	35	30	31	37	28	20	23	25	25
Construction	501	555	495	503	446	283	263	279	276
Credit and finance	14	22	44	29	33	2	28	45	166
General commerce	533	521	561	603	590	598	650	673	698
Manufacturing	164	180	179	146	149	154	146	156	153
Personal loans	4,078	3,834	3,675	3,635	3,497	3,339	3,289	3,243	3,239
Mortgages	741	820	1,014	1,190	1,038	1,228	1,256	1,274	1,324
Other	3,337	3,014	2,661	2,445	2,459	2,112	2,033	1,969	1,914
Professional services	68	81	79	90	93	58	44	44	44
Transport	539	596	972	1,070	741	720	686	248	234

Source: International Monetary Fund (2012)

Table 5.2(b) Direction of Loans by Commercial Banks in Brunei (end of period 2005-2011; in percent of total loans)

	2005	2006	2007	2008	2009	2010	2011		
							Mar.	June	Sept.
Total loans	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agricultural	0.6	0.5	0.5	0.6	0.5	0.4	0.4	0.5	0.5
Construction	8.4	9.5	8.2	8.2	8.0	5.5	5.1	5.9	5.7
Credit and finance	0.2	0.4	0.7	0.5	0.6	0.0	0.5	1.0	3.4
General commerce	9.0	9.0	9.3	9.9	10.6	11.6	12.7	14.3	14.4
Manufacturing	2.8	3.1	3.0	2.4	2.7	3.0	2.8	3.3	3.2
Personal loans	68.7	65.9	60.9	59.5	62.7	64.5	64.2	68.8	67.0
Mortgages	12.5	14.1	16.8	19.5	18.6	23.7	24.5	27.0	27.4
Other	56.3	51.8	44.1	40.0	44.1	40.8	39.7	41.8	39.6
Professional services	1.1	1.4	1.3	1.5	1.7	1.1	0.9	0.9	0.9
Transport	9.1	10.2	16.1	17.5	13.3	13.9	13.4	5.3	4.8

Source: International Monetary Fund (2012)

In the realm of Islamic banking, the growth of the banking segment in Brunei is expected to increase from the present share, estimated to be between 40-55 percent of the overall banking industry, to 60 percent within the next five years (Oxford Business Group 2013, January 24). There is also the potential for growth in *takaful*, as

Ernst and Young (2012) highlights Brunei as an important frontier market which achieved a compound annual growth rate of 3 percent for the period 2005-2009, stating further that the establishment of regulatory frameworks for *takaful* will enhance the healthy growth of the sector.

5.3 PERSONAL FINANCE IN BRUNEI DARUSSALAM

Towards describing the personal financial aspects relating to Brunei, the following sections are categorised within the context of Money Management and Investing for Goals.

5.3.1 Money Management – Issues and Regulations

In general, Bruneians enjoy a high degree of subsidies on daily goods such as fuel and rice. For example, the government subsidized BND340 million (USD238 million[57]) on car fuel in 2008, an increase of 68 percent from 2007, which is dramatically high, especially when compared to fuel subsidies in 2004, which only accounted for BND50 million (USD29 million) (Masli 2010, May 19). Aside from high levels of subsidies, there is also no personal income tax in Brunei, while health facilities and education up to university level are provided free of charge for Brunei citizens.

From an individual's perspective, with the relatively high levels of subsidies ranging from fuel to health facilities, one may contend that Bruneians would have considerably more 'take home pay', relative to a situation in which these subsidies do not exist. This indicates that there is an opportunity for individuals to save, or invest, the additional 'take home pay' accordingly. Unfortunately, in some cases, this may not be the case, as concerns of credit usage and indebtedness are emerging. The Ministry of Finance has, in recent years, enacted new directives regarding bank loans and credit cards to combat excessive credit usage and indebtedness. In 2005, the Ministry restricted personal loans up to a maximum of 12 times the annual salary. In 2010, a new directive on credit cards took effect, with banks required to increase

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[57] Unless stated otherwise, in this chapter, the Brunei Dollar is converted to US Dollar shown **in brackets**, for illustrative purposes at rates noted by the Department of Statistics, Department of Economic Planning and Development (2005) and (2009a), for years 2003-2004 and 2006-2008 respectively. Meanwhile, year 2001-2002, 2005 and 2009 rates are from the Singapore Department of Statistics (2010, January 25). Note that the Brunei Dollar is pegged 1-to-1 to the Singapore Dollar.

minimum monthly payments to 8 percent, restrict credit limits based on monthly income, and restrict issuance of credit cards by either having the individual's payroll deposited to the bank or creating a deposit equal to the credit card limit (De No 2010, January 12).

These regulations reflect that, in some households, the additional 'take home pay' that could have been utilized for savings and investment, may have instead been diverted towards excessive spending and attaining credit facilities, which in turn may lead to indebtedness. For instance, the second Minister of Finance noted that, compared to 2005, the total credit card rollover balance, as of the third quarter of 2009, has doubled up to BND343.6 million (USD236 million). Further, based on the Ministry's studies in September 2009, 70,704 credit cards were issued to low-income individuals, those earning monthly incomes of BND1,500 (USD1,031) or less. This figure represents 44.3 percent of total credit card holders in Brunei (De No, Masli, and Thien 2010, March 17).

On the surface, the above may reflect an excessive usage of credit, highlighting the existence of a spending culture in Brunei, in contrast to a saving culture. However, it may also highlight the lack of credit facilities for some households. For instance, it can be argued that the inaccessibility to personal loans or financing as a consequence of the 2005 directive, may have led low-income households to resort to credit card facilities instead. If the latter is true, issues pertaining to credit facilities and indebtedness may be linked to financial exclusion, rather than a lack of financial planning knowledge and practice. However, if the former is more accurate, the need to cultivate a saving culture in Brunei is imperative, by introducing financial literacy programmes, among other initiatives.

Another area of concern is the channel to which low-income households may resort to when seeking financial assistance after the implementation of the above-mentioned directives. For Muslims, such avenue for funding should ideally be provided at least by *zakat* institutions, and assisted further through enhanced financial planning. This is important because without such an alternative or assistance, households may instead turn to exploitative or illegal moneylenders.

5.3.2 Investing for Goals

With effect from 1st January 2010, the Ministry of Finance introduced the Supplemental Contributory Pension (SCP) scheme, a form of Defined Contribution Plan, aimed towards achieving a minimum monthly income of BND150[58], upon reaching the age of 60, on top of the existing Old Age Pension (OAP) of BND250 and the Employee Provident Fund, known as Tabung Amanah Pekerja (TAP). One may contend that the introduction of the SCP is as a result of concerns of the sufficiency of retirement income, even though the TAP and OAP already exist. For instance, in the past it has been noted by a TAP official that some TAP funds were used to purchase cars or to finance house extensions (Rosli 2008, June 11), casting doubts on the availability of funds left for retirement. These retirement concerns are further evident from a government reform in 2009, increasing the retirement age from 55 to 60.

The above regulations related to money management and schemes relevant to retirement highlight the government-driven approach to personal finance in Brunei. Unfortunately, there is no known study examining the issue of financial planning or personal finance in Brunei. Such a study is essential because if net surplus households are facing personal financial issues such as those associated with retirement, the worst can be expected for net deficit households, or those in poverty.

5.3.3 Financial Literacy

With the above issues related to money management, notably credit card debt, as well as concerns on the sufficiency of retirement income, financial literacy is a significant aspect to consider towards mitigating these issues. Although there are no known studies related to financial literacy in Brunei, there is an increasing emphasis to improve financial literacy in the country. The statutory body, Authoriti Monetari Brunei Darussalam, which acts as the central bank of Brunei highlighted their intention in their 2012 policy statement to undertake programmes to enhance financial literacy to the public (Authoriti Monetari Brunei Darussalam, 2012). In April 2013, the Minister of Finance II and Chairman of the 17th Association of South East Asian

[58] Note that in some cases, the US Dollar equivalent is not provided, as the respective Brunei Dollar amounts are not bound to a particular time period or year.

Nations (ASEAN) finance ministers' meeting also indicated the aspiration to promote financial literacy among ASEAN member countries (Shaminan, 2013).

5.4 POVERTY IN BRUNEI DARUSSALAM

With the high GDP per capita, poverty in Brunei is generally thought to be relative, rather than absolute[59]. Unfortunately, there are not many studies that can confirm such opinions as firstly, there are few known studies related to poverty in Brunei, and secondly, there is currently no generally accepted poverty line used by all institutions or agencies as a guideline. However, a study by Universiti Brunei Darussalam conducted between 2000 and 2002, suggested the absolute poverty line would be around BND280 or USD187 per person per month[60] (Ali 2008).

With the above figure in mind, poverty is known to exist in Brunei; a fact highlighted by the Community Development Department which noted the presence of families whose individual members earned less than BND150 (USD103) per month (Oxford Business Group 2009). Variations in income levels in Brunei are depicted in the Household Expenditure Survey (HES) of 1997/98 and 2005, whereby 7 to 8 percent of households had incomes below BND1,000 per month[61].

Further insights into income inequality in Brunei can be ascertained from a Millennium Development Goals report by the Department of Economic and Planning Development (2005) which highlights that between 1987/88 and 1997/98, household income inequality has declined in Brunei, with the Gini coefficient[62] reduced from 0.534 to 0.413. The reduction in income inequality is depicted in Figure 5.1.

[59] Absolute poverty refers to a situation where individuals are unable to procure "sufficient resources to support a minimum of physical health and efficiency, often expressed in terms of calories or nutritional levels" while relative poverty is a more subjective level of deprivation, defined "by the general standards of living in different societies and what is culturally defined as being poor rather than some absolute level of deprivation." (Poverty 2006, p. 1).

[60] Computation of the poverty line is based on cost of food and other basic expenses such as transportation, housing, health care and education that a person is likely to incur in a given month.

[61] The 2005 HES report stated the average size of the household was 5.8 persons. This indicates that the eight percent of households that had incomes below BND1,000 per month, would earn less than BND172.41 per person per month; this concurs with the fact highlighted by the Community Development Department in the earlier sentence.

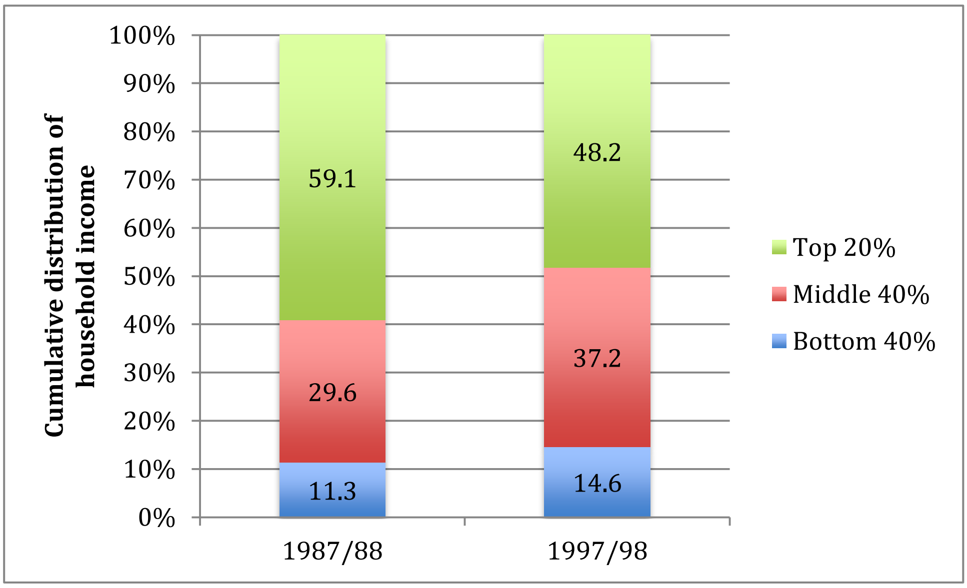
[62] The Gini coefficient is a measure of income inequality, whereby a coefficient of 0.5 to 0.7 depicts an 'unequal' income distribution, while a coefficient of 0.2 to 0.35 is considered 'equitable' (Department of Economic Planning and Development 2005).

Table 5.3 Income Class – Year 1997/98 and Year 2005

Income Class (BND)	1997/98*	2005**
Below 500	1.7	3.1
500 - 999	5.4	5.2
1,000 - 1,499	12.2	7.0
1,500 - 1,999	11.4	8.9
2,000 - 2,499	8.9	8.0
2,500 - 2,999	7.8	8.6
3,000 - 3,999	15.4	14.4
4,000 - 4,999	11.9	10.5
5,000 - 5,999	6.9	9.2
6,000 - 6,999	4.1	6.3
6,999 & over	14.2	18.7
Per cent	100	100
Total no. of household	34,154	59,900
Mean income (BND)	4,180	4,661

Source: * Ali (2008).
** Department of Statistics, Department of Economic and Planning Development (n.d).

Figure 5.1 Household Income Inequality Between 1987/88 and 1997/1998



Source: Department of Economic and Planning Development (2005)

Figure 5.1 shows the income share of the wealthiest 20 percent of households has decreased from 59.1 to 48.2 percent, while the share of income of the middle-income class and lower-income class has increased accordingly. Unfortunately, the Millennium Development Goals report published in 2005 did not include the 2005 HES figures, as the HES itself was conducted within that year.

More recently, the notion of mitigating poverty has gained considerable attention in Brunei, notably with the aim of eradicating poverty by 2035, an issue addressed by His Majesty Sultan Haji Hassanal Bolkiah (Han 2008, March 5), as well as by the inquiry into the BND230 million (USD139 million) surplus *zakat* fund by His Majesty (Mahmud 2009, January 15). To that end, it is pertinent to introduce the key institutions involved in eradicating poverty in the country, namely the Brunei Islamic Religious Council, the Community Development Department and the Sultan Haji Hassanal Bolkiah Foundation.

5.5 POVERTY ALLEVIATION EFFORTS IN BRUNEI

In this section, the Brunei Islamic Religious Council will be introduced, while two other institutions, the Community Development Department and the Sultan Haji Hassanal Bolkiah Foundation will be touched upon in the next section.

5.5.1 MUIB and *Zakat*

Majlis Ugama Islam Brunei (MUIB) or the Brunei Islamic Religious Council is the corporate body responsible for aiding and advising His Majesty on all aspects relating to Islam in Brunei, in accordance with the Religious Council and Kadis Court Act.

In matters of *zakat*, MUIB holds responsibility for the collection and disbursement of *zakat* in Brunei, as stated in Section 114 of the Act, extracted below:

> 'The Majlis shall have the power, and shall be under the duty, to collect on behalf of His Majesty, and to dispose of as His Majesty may, subject to the provisions of this Act direct, all *zakat* and *fitrah* payable in Brunei Darussalam in accordance with Muslim law…'

5.5.1.1 Zakat Collection

Zakat al-fitr is collected based upon the price of a staple food, rice, at 2 kilogrammes 268 grammes, amounting to BND1.93 (USD1.43) for Siam rice and BND2.84 (USD2.10) for fragrant rice (Bahagian Kutipan Dan Agihan Zakat 2008a)[63]. Meanwhile, with respect to *zakat* on wealth, the types of *zakatable* assets in Brunei are outlined in Table 5.4.

[63] Conversion is based on exchange rate as at 13th December 2010 (USD1=BND1.35).

Table 5.4 *Zakatable* Assets in Brunei Darussalam

	Stock of wealth	Flow of Income
Historical categories	*Zakat* on gold and silver[abd] (ornament and jewellery) *Zakat* on livestock[ab] *Zakat* on business/trades[abc]	*Zakat* on agricultural products[ab]
Contemporary categories	*Zakat* on paper currency[abd] *Zakat* on stocks[c]	

Source: [a] Peratoran Zakat Dan Fitrah (1969).
[b] Bahagian Kutipan Dan Agihan Zakat (2008b).
[c] Majlis Ugama Islam (n.d.).
[d] Unit Kutipan Dan Agihan Zakat (n.d.).

Table 5.4 shows that the historical categories of assets are generally acknowledged to be *zakatable* in Brunei. However, with the exception of paper currency and stocks, a considerable number of contemporary assets, including mutual funds, retirement funds and life insurance/*takaful*, are not explicitly highlighted as *zakatable*. The importance of contemporary assets cannot be underestimated, especially those that are generally applicable to all Brunei citizens, such as the employee provident fund, TAP.

Table 5.5 shows that between 2001 and 2009, there has been a gradual increase of *zakat al-fitr* collected by MUIB.

Table 5.5 Collection of *Zakat al-Fitr* in Brunei Darussalam

Year	No. of payers	BND (USD)	% of GDP***
2001	251,421	692,010.91 (386,231.46)	NA
2002	255,855	789,177.45 (440,733.53)	NA
2003	260,205	1,407,598.55* (799,771.90)	NA
2004	276,116	765,399.78 (450,235.16)	0.0067
2005**	281,504	780,789.97 (469,055.61)	0.0068
2006**	289,929	805,575.10 (506,651.01)	0.0068
2007**	292,374	813,169.55 (534,979.97)	0.0068
2008**	299,003	831,530.90 (581,490.14)	0.0071
2009**	302,981	843,136.91 (579,674.74)	0.0073

Source: Sapar (2010).

Note: * There were 2 collections in 2003, coinciding with the two *Eid al-fitr* within the year. The breakdown of the amount collected is BND646,453.17 (USD367,302.94) and BND 761,145.38 (UDS432,468.97), for the Islamic year 1423 and 1424 respectively.

** Figures are yet to be audited.

*** The GDP figures used in the computation are attained from the Department of Statistics (2006) and Department of Statistics (2012). Note that the GDP for 2001-2003 are omitted, as prior to 2004 a different computation method was used to calculate the GDP.

In the context of *zakat* on wealth, Table 5.6 shows the collected amount fluctuated substantially throughout the past nine years. For instance, in 2006, the amount collected dropped by 25 percent relative to 2005, while in 2009, compared to 2008, the amount rose dramatically, by about 69 percent. The fluctuations are also depicted when *zakat* on wealth is taken as a percentage of GDP, whereby in 2006, the ratio was 0.09% whilst in 2009, it had increased substantially to 0.17%.

Table 5.6 Collection of *Zakat* on Wealth in Brunei Darussalam (Year 2001-2009)

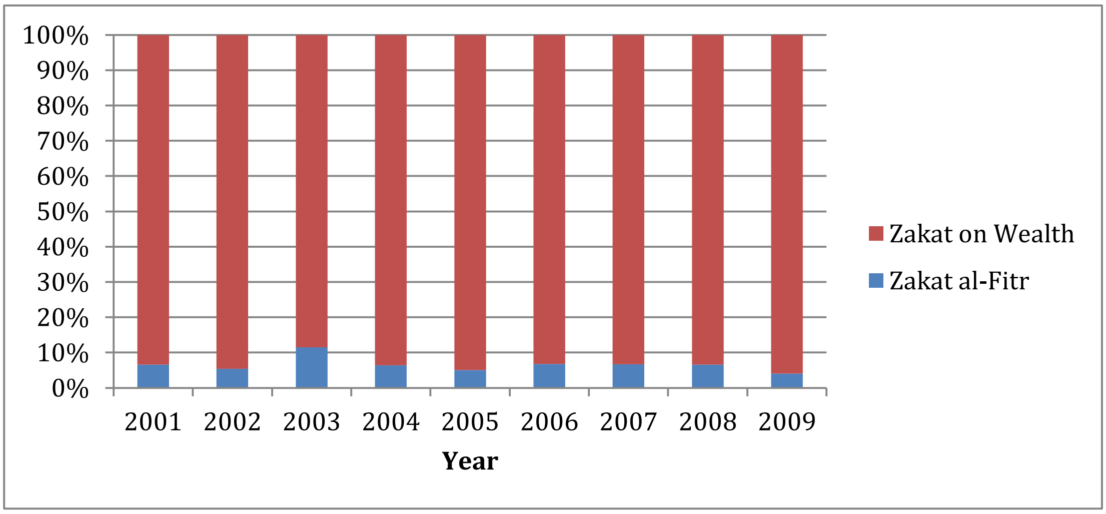
Year	No. of payers	BND (USD)	% of GDP*	% Change of BND**
2001	956	9,849,351.97 (5,497,210.45)	NA	NA
2002	3,454	13,804,899.83 (7,709,650.30)	NA	+40
2003	3,556	10,869,270.07 (6,175,721.63)	NA	-21
2004	4,112	11,173,064.25 (6,572,390.74)	0.098	+3
2005	4,569	14,751,913.25 (8,862,137.00)	0.129	+32
2006	4,667	11,096,859.15 (6,979,156.70)	0.093	-25
2007	5,004	11,292,007.39 (7,428,952.23)	0.094	+2
2008	5,160	11,820,872.76 (8,266,344.59)	0.101	+5
2009	4,122	19,918,344.73 (13,694,289.95)	0.173	+69

Source: Sapar (2010).

Note: * The GDP figures used in the computation are attained from the Department of Statistics (2006) and Department of Statistics (2012). Note that the GDP for 2001-2003 are omitted, as prior to 2004 a different computation method was used to calculate the GDP.
** Percentage change of amount collected, compared to the previous year (rounded to the nearest figure).

To illustrate the significance of *zakat* on wealth as depicted in Table 5.6, Figure 5.2 displays the amount of collected *zakat* on wealth, vis-à-vis *zakat al-fitr*.

Figure 5.2 Collection of *Zakat* on Wealth & *Zakat al-Fitr* (Year 2001-2009)



Over the years, the figure shows that the collection of *zakat* on wealth represents over 90 percent of the total *zakat* collected. This overwhelming importance placed on *zakat* on wealth to accumulate *zakat* funds, highlights the fundamental need to consider contemporary forms of assets, such as retirement funds and mutual funds, in order to broaden the sources of *zakat*, and more importantly, to fulfil the spirit or purpose of *zakat*. Further, this may also assist in lessening the fluctuating effects in the collection of *zakat* on wealth, as depicted in Table 5.6.

Aside from expanding the forms of wealth eligible for *zakat*, the need to inform and educate the public regarding *zakat* is equally important to maximise the amount collected. Masri (2007), in analysing the knowledge of over 200 individuals on *zakat*, found that only 13 percent correctly identified the *nisab* for *zakat* on wealth, 45 percent accurately answered the *zakat* rate at 2.5 percent, and 66 percent indicated both *zakat al-fitr* and *zakat* on wealth as being obligatory in Islam. The lack of knowledge about *zakat* is especially worrying, as two-thirds of the respondents possess a tertiary education.

The lack of knowledge on *zakat* is also highlighted by Ali (2008). In the study, 100 individuals who possess savings above the *nisab* were asked to compute the due *zakat* on scenarios pertaining to *zakat* on savings, company shares and gold[64]. Of the 74 respondents who answered the questions, only 40 percent were able to answer all three correctly. Those who answered correctly comprised of accountants who worked in Islamic banks, as well as academics who had knowledge of Islamic economics.

Even within the two studies, the respondents admitted the need for more education and awareness related to *zakat*. For instance, in Masri's research (2007), approximately 70 percent of respondents stated there is a lack of public awareness programmes on *zakat*, as compared to other forms of worship. Meanwhile in Ali's study (2008), 74 percent of the participants generally agreed that with regards to their investments, their lack of knowledge contributed to a lack of *zakat* payment, while

[64] The three scenarios are as follows: (a) *Zakat* on savings: Ali's savings in 1 year is $5,500 and the *nisab* for savings is $1,192.50. (b) *Zakat* on shares: A company has issued 1000 shares and Jeffry has purchased 100 shares. The *zakatable* assets of the company equal $2 million. (c) *Zakat* on gold: Fairuz inherited $3,000 worth of gold at the beginning of the year. The value of gold increased during the year to $4,500 at the end of the year.

100 percent concurred on the need for education on the types of *zakatable* assets, rates and *nisab*.

The consequences of a lack of knowledge are evident in Ali's work (2008), where a considerable number of respondents, though possessing assets above the *nisab* for over a year, did not pay *zakat*, as illustrated in Table 5.7. Here, the top three assets on which individuals did not pay *zakat*, relate to *zakat* on net income of rental properties (82 percent), gold and jewellery (77 percent), and company shares (76 percent).

Table 5.7 Selected Findings of Ali (2008): Percentage of Respondents Not Paying *Zakat* on Different Types of Assets

Types of Wealth	% who owns nisab but does not pay *zakat*
Net salary/professional income	~75
Company shares (market value)	~76
Deposits (Islamic bank)	~32
Deposits (Conventional bank)	~62
Net income from rented property	~82
Business income	~46
Gold and Jewellery	~77

Aside from education, the transparency related to *zakat* collection and distribution is also important. In Masri's research (2007), respondents' opinions were generally split as to whether the collection and disbursement of *zakat* lacked transparency or otherwise, with 46.1 percent highlighting a lack of transparency, 44.9 percent stating the sufficiency of transparency and 9 percent having no opinion on the matter. Generally, it can be argued that a higher level of transparency helps to assure *zakat* payers on the effectiveness of the *zakat* mechanism, subsequently increasing the size of the fund, as well as helping to avoid situations in which individuals make payments directly to *zakat* beneficiaries[65].

[65] Here, the contention is that direct disbursement of *zakat* by individuals, rather than through public institutions or official channels, may lessen the effectiveness of poverty alleviation as the former may relate to donations for income support only, and not on programmes that could lead to a permanent or long-term disassociation from poverty, which are generally managed by institutions (Ahmed 2004). From a cost perspective, authorities are also more likely to be cost-effective in providing basic needs, for instance in the provision of goods, as they purchase in bulk and are charged lower wholesale prices, than individual buyers who purchase smaller quantities and are charged relatively higher retail prices (Siddiqi 1996).

5.5.1.2 Zakat Disbursement

In Brunei, *zakat* is provided to six types of beneficiaries, with the two excluded being slaves and those who struggle in the cause of Allah. The exclusion pertains to a *Mufti's fatwa*[66], dated 1st September 1970, stating these beneficiaries do not exist in Brunei (Abdullah 2009). Nonetheless, the three beneficiaries relevant to this study, as defined by Majlis Ugama Islam (2008), are:

(a) *Fakir* (Destitute): Muslims in destitute conditions, who do not have any source of income or wealth, or those who are unable to attain half of the basic needs for him/her and his/her dependents.

(b) *Miskin* (Poor): Muslims who may have some source of income or wealth, but who are only able to attain slightly more than half of the basic needs for him/her and his/her dependents.

(c) *Al-Gharimin* (Debtors): Muslims who are in debt, in accordance with *Shari'ah*. In practice, disbursement made to debtors includes those who were unable to repay and settle their debts, as well as debt related to the construction of Islamic religious schools, the construction, extension and repairs on mosques, as well as debt related to housing[67] (Sapar 2010).

With regard to the form of disbursement provided, the poor and destitute are provided with various types of disbursement, summarised in Table 5.8.

[66] Reference number 14 MKB 3/1969.

[67] Here, housing refers to houses under the Yayasan Sultan Haji Hassanal Bolkiah Housing scheme, Landless Indigenous Citizens Housing scheme, the National Housing scheme and those costing less than BND75,000 (Hjh Mahani Hj Musa, personal communication, September 29, 2010).

Table 5.8 Types of *Zakat* Disbursement for the Poor and Destitute

Types		Details
1.	Monthly Disbursement*	• Cash disbursement • Basic foodstuff such as rice and sugar • Education allowance • Rental payments (including utility bills)
2.	Yearly Disbursement*	• Cash disbursement
3.	Housing	• Construction, repair and rental of houses • Also includes acquiring resources to build houses and installation of electric wirings • Payments of utilities may also be considered
4.	Education	• Payment of school fees • Includes provisions for daily expenses, clothing, books, and transportation
5.	Entrepreneurial Assistance	• Provision of financial capital and physical goods such as tools and machinery
6.	Immediate Assistance	• Provided in circumstances such as natural disasters • Immediate cash • Others, such as school materials
7.	Medical Assistance	• Payment for medical treatment • If overseas, this includes coverage of flight tickets, petty cash and accommodation, for patient and an extra individual
8.	Asnaf Zakat Empowerment Programme	• Designed to provide expertise, guidance and training as well as job opportunities • Includes payment for course fees, payment to trainer, living allowance, transportation expenses, and other items such as clothing

Source: Sapar (2010)

To qualify for the disbursement, among other criterion, disbursement to the poor and destitute depends on the households' earnings vis-à-vis the threshold level utilized by MUIB. The threshold level is based on the following variables:

- BND200: Head of household
- BND100: Spouse
- BND65: Basic foodstuff per person
- BND60: Education allowance per child (who attends school)

Taking an example of a family of five (husband, wife and three children attending school), the threshold level would be BND805, a sum arrived at as follows:

Table 5.9 Illustration: Computation of threshold level (MUIB)

Variable	BND
Husband	200
Wife	100
Basic foodstuff (BND65 x 5)	325
Education (BND60 x 3)	180
Total	805

In a situation where the household monthly income is less than BND805, the deficit is covered by MUIB. Therefore, a household earning BND400 would be provided with *zakat* amounting to BND405. The approach is similar, irrespective of whether the person is categorized under poor or destitute (Majlis Ugama Islam 2008).

Note: *The difference between monthly and yearly disbursement pertains to the beneficiary. Monthly disbursements are intended for individuals grouped as 'destitute' (fakir), while yearly disbursements are for the 'poor' (miskin) (Hjh Mahani Hj Musa, personal communication, September 29, 2010).

Aside from income support, as highlighted earlier in Table 5.8, MUIB also provides disbursement to beneficiaries by providing financial capital and physical provisions for entrepreneurial activities, such as boats for fishermen. However, Abdullah (2009) pointed out that success achieved by providing entrepreneurial assistance has been limited. The author interviewed 15 out of the 47 *zakat* beneficiaries who took part in this programme[68] between 2001 and 2008, and found that only 1 could be considered as attaining relative success. The author's measure of success is based on the expansion of the business, with the entrepreneur not relying on any further assistance from MUIB. Additionally, the study also showed that two-thirds of the 15 respondents continue to receive assistance either from MUIB, the Community Development Department, or both.

Within the realm of financial exclusion, Abdullah (2009) suggested facilitating benevolent loans to beneficiaries who needed cash to continue their entrepreneurial activities. This idea is especially relevant, since the main challenge faced by those still operating their businesses relates to a shortage of funds, to either purchase raw materials or replace old machinery. When asked if they would apply for loans, should the facility be available to them, 47 percent of the respondents were in favour of applying for the loan, 40 percent were hesitant, mainly due to concerns regarding their

[68] Only 15 were interviewed, as the remaining 32 were un-traceable (due to, for instance, change of address), located outside of the Brunei-Muara district, had passed away, or were intentionally not selected as they had received the assistance only recently.

ability to repay, while 13 percent would only consider a benevolent or interest-free loan.

Another programme aimed at the productive poor is the recently introduced empowerment programme called PROPAZ, which runs for 9 months, with 3 months allocated for training and a further 6 months for work placement. An amount totalling BND1.1 million has been allocated to cover the programme for the period 2008 to 2012 (The Brunei Times 2008, September 26). Sapar (2010) confirms that there are around 20 to 40 beneficiaries participating in the programme in a given year.

In terms of the number of beneficiaries categorized as either destitute or poor, Table 5.10 illustrates the total number of beneficiaries over the past 6 years, whereby on average, the two groups make up approximately 4 percent of the population of Brunei.

Table 5.10 Number of Beneficiaries (Destitute and Poor) between 2004 and 2009

Year	Destitute (Monthly Disbursement)			Poor (Yearly Disbursement)			TOTAL	% Pop**
	Head*	Dpdts*	Total	Head*	Dpdts*	Total		
2004	415	1,520	1,935	2,718	8,645	11,363	13,298	3.7
2005	598	2,116	2,714	3,780	12,926	16,706	19,420	5.2
2006	865	3,010	3,875	2,991	9,885	12,876	16,751	4.4
2007	869	3,107	3,976	2,885	9,349	12,234	16,210	4.2
2008	872	2,993	3,865	2,948	9,637	12,585	16,450	4.1
2009	832	3,080	3,912	2,914	9,552	12,466	16,378	4.0

Source: Sapar (2010)

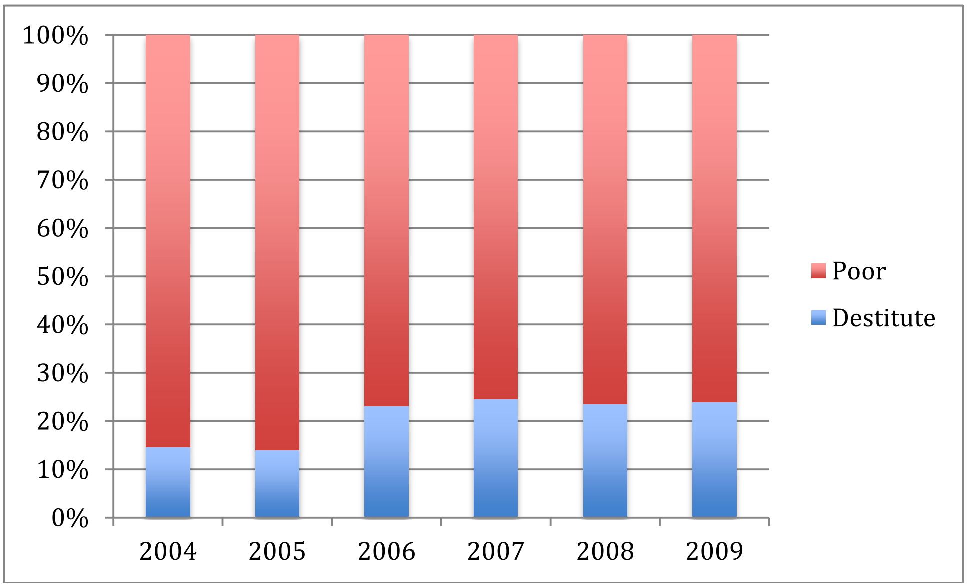
Note: * Head refers to the Head of household, while Dpdts denotes the dependents.
**Population data for 2004-2005 and 2006-2009 are attained from Department of Statistics, Department of Economic Planning and Development (2005) and (2009a) respectively.

Although the table indicates the percentage of beneficiaries has fallen from 5.2 percent in 2005 to 4 percent in 2009, it may not provide the bigger picture of the beneficiaries of *zakat* within this category, as they may be deserving beneficiaries who do not apply for *zakat* funds. A more interesting approach to gauge the success of *zakat* would be to assess the number of *zakat* beneficiaries who became *zakat* payers, as highlighted by Abdul Rahman (Aug. 2006 & Jan. 2007)[69]. Unfortunately, the number is not readily available in Brunei.

[69] Abdul Rahman (Aug. 2006 & Jan. 2007) in analysing performance measurement practices of Malaysian State Islamic Religious Councils found that input measurements (such as operational costs) and output measurements (such as amount of *zakat* collected), were used more often and highly preferred by management, than efficiency measures (such as proportion of *zakat* collection in

Somewhat worrying is the relative increase in beneficiaries within the category of 'destitute' over the years 2004 - 2009, as shown in Figure 5.3. From year 2006 onwards, the percentage of individuals categorized as destitute averages 23.8 percent, up from 14 percent in 2005.

Figure 5.3 Proportion of *Zakat* Beneficiaries (Destitute and Poor)



In terms of *zakat* disbursement as a whole, Table 5.11(a) and (b) shows the proportion disbursed to the 6 beneficiaries identified in Brunei Darussalam, in absolute amounts and percentages respectively.

Table 5.11(a) Zakat Disbursement in Brunei Darussalam (in BND, 2001-2009)

Year	*Amil*	*Fakir Miskin*	*Muallaf*	*Ibnu Sabil*	*Al-Gharimin*	*Total*
2001	$351,775.82	$4,603,205.84	$1,704,669.57	$350.00	$122,199.63	$6,782,200.86
2002	$346,834.69	$4,568,731.50	$1,576,644.12	$1,380.00	$1,211,797.47	$7,705,387.78
2003	$405,651.89	$5,529,950.19	$1,686,010.09	$863.00	$2,819,767.36	$10,442,242.53
2004	$473,340.39	$10,668,686.87	$2,069,212.91	-	$1,599,342.46	$14,810,582.63
2005	$517,576.01	$4,875,804.77	$1,796,790.32	$800.00	$1,489,466.24	$8,680,437.34
2006	$142,102.01	$13,544,890.16	$1,400,139.32	-	$1,414,554.06	$16,501,685.55
2007	$68,626.65	$12,999,714.55	$1,553,178.85	$1,050.00	$788,577.43	$15,411,147.48
2008	$185,437.73	$13,014,088.45	$1,178,454.20	-	$1,471,459.26	$15,849,439.64
2009	$147,306.05	$99,652,944.35	$3,070,258.25	$300.00	$3,857,776.87	$106,728,585.52

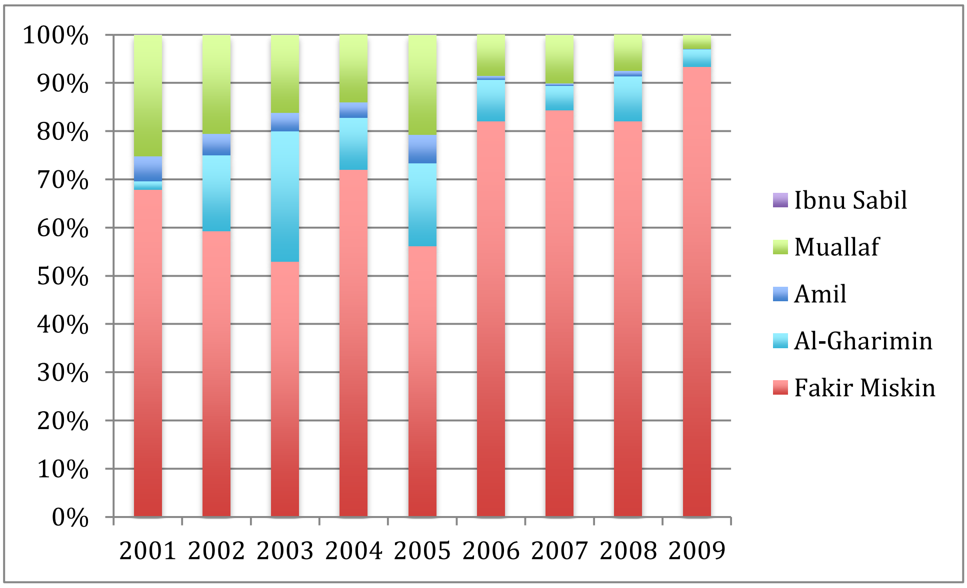
Source: Sapar (2010)
Note: *Amil* - *zakat* collector, *Muallaf* – New convert to Islam, *Ibnu Sabil* – A Muslim traveller who needs assistance.

proportion to operational costs) and outcomes to beneficiaries (such as number of recipients who became *zakat* payers).

Table 5.11(b) Zakat Disbursement in Brunei Darussalam (in %, by year)

Year	Amil	Fakir Miskin	Muallaf	Ibnu Sabil	Al-Gharimin	Total
2001	5.2%	67.9%	25.1%	0.005%	1.8%	100.0%
2002	4.5%	59.3%	20.5%	0.018%	15.7%	100.0%
2003	3.9%	53.0%	16.1%	0.008%	27.0%	100.0%
2004	3.2%	72.0%	14.0%	-	10.8%	100.0%
2005	6.0%	56.2%	20.7%	0.009%	17.2%	100.0%
2006	0.9%	82.1%	8.5%	-	8.6%	100.0%
2007	0.4%	84.4%	10.1%	0.007%	5.1%	100.0%
2008	1.2%	82.1%	7.4%	-	9.3%	100.0%
2009	0.1%	93.4%	2.9%	0.0003%	3.6%	100.0%

Figure 5.4 Proportion of *Zakat* Disbursement in Brunei Darussalam



One of the notable trends shown in Figure 5.4 is that in recent years, the amount proportioned to the poor and destitute has increased considerably, notably from 2006 onwards where over 80 percent has been disbursed to these 2 groups of beneficiaries. Another significant feature is the huge amount of over BND99 million (USD68 million) disbursed in 2009 to the poor and destitute. The considerable increase in disbursement is a response to the concerns highlighted by His Majesty in January 2009, on the outstanding balance of *zakat* fund amounting to over BND230 million (USD139 million), as of fiscal year 31st December 2004. Here, queries by His Majesty on the huge surplus of *zakat* funds led to the disbursement of over BND90 million in October of that year (Masli 2009, October 08; The Brunei Times 2009, January 14).

It should be noted that in the same speech, His Majesty also inquired as to whether any study has been done to understand issues of debtors, notably debtors who face difficulties paying off debt for purchasing government houses. Therefore, it is not surprising that 2009 also witnessed an increase disbursed to debtors, whereby the amount disbursed is 2.6 times the amount disbursed in 2008, as shown in Table 5.11(a).

Although Table 5.11 indicates that a substantial amount of *zakat* is being disbursed by MUIB, the more pertinent question is whether the amount disbursed is sufficient to alleviate, if not eradicate, poverty. Ali (2008) in analysing the income per capita of 100 *zakat* recipients/households found that even after receiving *zakat*, the income per capita remains below BND280[70] per month, begging the question as to whether the amount provided by MUIB is sufficient. Similarly worrying is an analysis of 50 non-recipients or unsuccessful *zakat* applicants, whose income per capita is below BND280. To some extent, it appears that in both contexts, the crux of the argument lies with the need for an official poverty line in Brunei, and only then can the issue of sufficiency be easily contended with and determined.

5.5.2 MUIB and *Awqaf*

Section 100 of the Religious Council and Kadis Court Act highlights MUIB as the sole trustee of all *waqf* assets in the country:

> 'Notwithstanding any provision to the contrary contained in any instrument or declaration creating, governing or affecting the same, the Majlis shall be the sole trustee of all *wakaf,* whether *wakaf am,* or *wakaf khas,* of all *nazar am,* and of all trusts of every description creating any charitable trust or the support and promotion of the Islamic religion or for the benefit of Muslims in accordance with Muslim law, to the extent of any property affected thereby and situate in Brunei Darussalam and, where the settler or other person creating the trust, *wakaf* or *nazar am* was domiciled in Brunei Darussalam, to the extent of all property affected thereby wherever situate.'

According to Majlis Ugama Islam (2008), *awqaf* can be registered or not registered. While the former denotes formal registration of the asset endowed, the latter refers to a verbal declaration of *waqf* assets such as cash or equipment. Within MUIB, any *waqf* made is categorized either as a general or specific *waqf*. Specific *waqf* of assets

[70] The amount relates to an absolute poverty line ascertained during a study by Universiti Brunei Darussalam, conducted between 2000 and 2002.

pertains to a specific condition set by the *waqif*, such as land endowed to build a mosque. In the case of general *waqf*, MUIB has the necessary discretion to undertake projects or activities on the land, as it sees fit, for the benefit of Muslims.

General *waqf* assets are then accumulated together with other sources of funds held by the *Baitul Mal* into a General Endowment Fund, part of which is invested by Badan Tanmiah, a body created to invest and develop the allocated fund or property of *Baitul Mal* (Majlis Ugama Islam 2008).

Table 5.12 Breakdown of Registered *Awqaf* in Brunei Darussalam

SPECIFIC AWQAF

Assets	**Details**	**No. of *Awqaf***		**%**
Mosque-related	Mosques	7		
	Land	22		
	Roads	2		
	Equipment	19		
	Air-conditioners	28		
	Car Parks	2		
	Miscellaneous	4	84	74%
Cemetery/ Burial-related	Vehicles	19		
	Land	2		
	Roads	2	23	20%
Religious School-related	Land	1		
	Equipment	1	2	2%
Miscellaneous			4	4%
			113	100%

GENERAL AWQAF

Assets	**Details**	**No. of *Awqaf***	**%**
Land	Unknown	3	43%
	Residential Housing	2	29%
	Commercial Building	1	14%
	Mosque	1	14%
		7	100%

WAQF RELATED TO CASH

Asset	**Details**	**BND**	**%**
Cash	Mosque-related	1,836,781.00	99.98%
	Miscellaneous	400.00	0.02%
		1,837,181.00	100%

Source: Listing of *Awqaf* assets, provided by MUIB (September 2010).

Table 5.12 indicates that the majority of registered *waqf* assets are of a religious nature, compared to those of a socio-economic nature. The only notable assets that are socio-economic in nature can be found within the general *awqaf* category, whereby 3 *waqf* lands are utilized to build residential and commercial properties for rental purposes. The remaining assets are, by and large, related to mosques and other religious purposes. If *awqaf* is to play a bigger role in eradicating poverty, the need to inform the public about the possibilities of *awqaf*, in a socio-economic context, is essential.

5.6 OTHER POVERTY ALLEVIATION INITIATIVES

5.6.1 Jabatan Pembangunan Masyarakat

Aside from MUIB, Jabatan Pembangunan Masyarakat (JAPEM) or the Community Development Department also plays a vital role in meeting the welfare needs within the country. Under the Ministry of Culture, Youth and Sports, JAPEM administers welfare programmes such as the Old Age Pensions for Brunei citizens upon reaching the age of 60, as well as assistance to those faced with natural disasters, and monthly welfare assistance for those in need.

In terms of the monthly welfare assistance, this is generally viewed as an annual token, towards assisting individuals to alleviate their financial difficulties. The differing amount of monthly assistance can be seen in Table 5.13 which shows that, over the years, the amount has increased to accommodate changes in living standards. Currently, if eligible, the head of the household and spouse can receive up to BND200 each, and since 1998, there is no maximum limit placed on the total amount a household may receive.

Table 5.13 Provision of Monthly Welfare Assistance

No.	Types	Year					
		1968	1975	1980	1984	1991	1998
1	Head	BND30	BND37	BND50	BND100	BND150	BND200
2	Wife	BND20	BND25	BND30	BND50	BND80	BND200
3	Dependents (4 children)	BND15	BND18.75	BND25	BND40	BND65	BND65*
4	Education allowance						BND60
	Max. limit	BND110	BND137	BND180	BND310	BND490	N/A**

Source: Hjh Nor Hasmah Hj Hashim, personal communication, September 15, 2010.
Note: * Prior to July 1998, the amount of BND65 per children was restricted to a maximum of 4 children. Currently, no restrictions exist.
** Since July 1998, there is no maximum amount that is applicable for any household.

Here, approval for the above assistance is granted by the Permanent Secretary of the Ministry of Culture, Youth and Sports, as well as representatives from other institutions including MUIB and the Sultan Haji Hassanal Bolkiah Foundation. To avoid overlapping assistance between MUIB and JAPEM, beneficiaries are commonly asked to choose between receiving assistance either from MUIB or JAPEM, but not both. It is also interesting to note that JAPEM utilizes BND150 per family member, as a guideline towards ascertaining eligibility for the monthly assistance (Hjh Nor Hasmah Hj Hashim, personal communication, September 15, 2010). According to Hjh Nor Hasmah, an Assistant Officer within JAPEM, this threshold level is derived using the relevant figures in Table 5.13, and computed as follows:

Table 5.14 Illustration: Computation of Threshold Level (JAPEM)

Variable	BND
Husband	200
Wife	200
Dependents (BND65 x 4)	260
Education (BND60 x 4)	240
Total	900
Divided by 6 =	150

To illustrate the extent of welfare provided to the general population, Table 5.15 and Figure 5.5 show the average number of households provided with monthly welfare assistance since year 2000. The illustrations highlight a somewhat gradual increase in the number of households receiving monthly welfare assistance, involving over 4,000 households since 2007.

Table 5.15 Average No. of Households Receiving Monthly Welfare Assistance

Year	Average No. of Households	Year	Average No. of Households
2000	3704	2006	3982
2001	3688	2007	4230
2002	3937	2008	4329
2003	3870	2009	4473
2004	3663	2010*	4125
2005	3755		

Source: Listing of monthly recipients, provided by JAPEM (October 2010).
Note: * Average from January to September 2010 only.

Figure 5.5 Average No. of Households Receiving Monthly Welfare Assistance

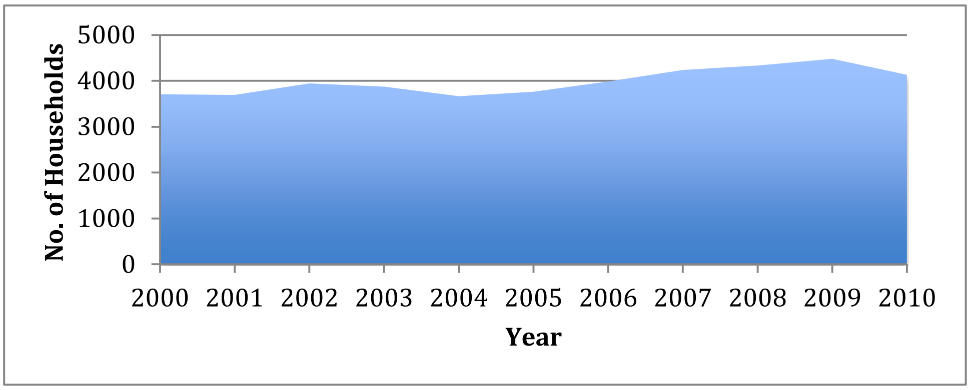


Table 5.16 provides a further illustration of the extent of monthly welfare assistance, denoting the number of heads of household and dependents, as of 31st January 2010. Included in the table is the 2009 figure taken from Table 5.10[71], showing the number of poor and destitute receiving *zakat* in Brunei.

Table 5.16 Beneficiaries of Assistance – Heads of Households and Dependents (As of Year 2009/31st January 2010)

	JAPEM*	MUIB**	Total	% Pop***
Head	5,113	3,746	8,859	2.2
Dependents	13,241	12,632	25,873	6.4
Total	18,354	16,378	34,732	8.6

Source: * Information on Poverty in Brunei Darussalam For UNESCO's Project 5 (n.d.)
** Sapar (2010)
Note: * Figures are as of 31st January 2010.
** Figures are as of year 2009.
*** Population data for 2009 are attained from Department of Statistics, Department of Economic Planning and Development (2009a).

[71] Since Table 5.8 does not include January 2010 figures, the 2009 figures are deemed second best estimates, for comparative purposes.

Table 5.16 indicates the extent of individuals, numbering approximately 35,000 people or 8.6 percent of the population, that can be generally categorized as being poor. With the absence of a national poverty line, using figures of beneficiaries of welfare benefits may be argued as the next best approach in gauging the poverty level in Brunei, as also noted by ASEAN and the World Bank (n.d.). There is no overlap of the beneficiaries from the two institutions; if a person applied to both institutions, the individual would be asked to choose one and would not be allowed to have disbursements from both institutions (Hjh Nor Hasmah Hj Hashim, personal communication, September 15, 2010).

To overcome the problem of poverty in Brunei, the government created a Special Committee on Poverty, which subsequently established a Taskforce for the Research on Poverty in Brunei Darussalam. To that end, a consultancy research initiative has been undertaken in Brunei, in which one of the tasks involves establishing a definition of poverty, as well as providing a national plan towards eradicating poverty in the country.

It should also be noted that aside from income support through monthly welfare assistance, JAPEM also provides a Self-Reliance scheme essentially providing benevolent loans to micro-entrepreneurs to begin or to expand their small business, without requiring any collateral or guarantor (Hjh Noridah Abdul Hamid, personal communication, January 13, 2008).

5.6.2 Yayasan Sultan Haji Hassanal Bolkiah

Other than MUIB and JAPEM, Yayasan Sultan Haji Hassanal Bolkiah (YSHHB) or the Sultan Haji Hassanal Bolkiah Foundation also partakes in activities related to poverty alleviation. For example, in response to a mass fire outbreak in the Water Village in 1993, rendering about 200 families and more than 1,000 individuals homeless, the YSHHB built and subsidized the purchase of 476 houses for the households to own (Yayasan Sultan Haji Hassanal Bolkiah n.d.).

Aside from providing housing for those in need, the foundation also provides, among other things, emergency cash and foodstuff for those faced with natural disasters, medical assistance for those not qualified to attain them from other sources, training development programmes, as well as assistance for micro-entrepreneurs. In terms of the poverty line or threshold, the foundation utilises the guidelines established during a joint consultation between YSHHB and Universiti Brunei Darussalam, from which the absolute poverty line is set at BND280 per household (Md Jufri Jaludin, personal communication, September 07, 2010).

5.7 CONCLUSION

The above sections highlight two contemporary and crucial issues relevant to Brunei Darussalam. The first relates to poverty, highlighting the main institutions that currently play a significant role towards eradicating poverty, primarily the institution of *zakat* and the Community Development Department. The other contemporary issue touches upon personal finance, such as credit cards and the lack of retirement income, to the extent that regulations have been created to mitigate these issues.

Taken together, poverty and personal finance are not entirely mutually exclusive. This is especially pertinent in a country with a high GDP per capita where, if combined with *zakat*, *awqaf* and a framework of Islamic financial planning, this may result in a complementary approach towards combating financial difficulties, notably for low-income households and those in poverty.

Chapter 6
RESEARCH METHODOLOGY AND DESIGN

6.1 INTRODUCTION

In order to achieve the research aim of exploring an inclusive Islamic Financial Planning framework that incorporates both the poor and non-poor in Brunei Darussalam, the importance of ascertaining the relevant research design cannot be over-estimated. More specifically, the importance of attaining reliable results and deducing meaningful conclusions requires a thorough approach towards determining the research design and assessment of tools required to undertake the research, taking into account the limitations of the study, as well as ensuring the validity and reliability of the research.

To that end, this chapter first outlines the research objectives and research questions, followed by a discussion of the methodology and research design, towards achieving the research aim which is: to examine the needs of the poor and non-poor households in order to identify, describe and establish an inclusive Islamic Financial Planning framework for both groups in Brunei Darussalam. The chapter then provides a detailed description of the specific tools and sampling approaches undertaken to answer the research questions. Finally, the chapter outlines aspects of the research's validity and reliability, as well as its limitations.

6.2 RESEARCH OBJECTIVES AND QUESTIONS

As stated in Chapter 1, the objectives of this research are:

1. To review the theoretical literature relevant towards establishing a framework of financial planning.
2. To understand if a hierarchy of financial needs exists in Brunei for different classes of the population.
3. To define the scope of financial planning knowledge and practice in Brunei.
4. To define the nature and scope of financial exclusion in Brunei.

5. To ascertain whether financial needs can be met by Islamic Financial Institutions (IFIs), *zakat* and *awqaf* institutions.
6. To ascertain the structure and approaches that an inclusive Islamic Financial Planning framework may adopt.

It should be noted that research objective 1 has already been met as described in Chapters 2 and 3. Meanwhile, the remaining research objectives are broken into specific research questions, outlined as follows:

1.1 Taking perceived saving motives as a proxy of financial needs, does a hierarchy of financial needs exist in Brunei?

1.2 If such a hierarchy of financial needs exists, what are the socio-economic variables that determine savings for those at the upper end of the hierarchy?

1.3 Taking financial exclusion or difficulties in accessing financial products and services as a proxy of financial needs, does a hierarchy of financial needs exist in Brunei?

2.1 What are the variables that significantly determine financial planning practice?

- 2.1.1 What are the variables that significantly determine money management practices?
- 2.1.2 What are the variables that significantly determine emergency planning practices?
- 2.1.3 What are the variables that significantly determine retirement planning practices?

2.2 What are the variables that significantly determine financial planning knowledge?

- 2.2.1 What are the variables that significantly determine money management knowledge?
- 2.2.2 What are the variables that significantly determine emergency planning knowledge?
- 2.2.3 What are the variables that significantly determine retirement planning knowledge?

3.1 What are the socio-economic variables determining the usage of financial products, for the financially excluded?

   3.1.1 What are the variables that significantly determine financial exclusion, related to bank accounts?

   3.1.2 What are the variables that significantly determine financial exclusion, related to credit facilities?

   3.1.3 What are the variables that significantly determine financial exclusion, related to *takaful*/insurance products?

   3.1.4 What are the variables that significantly determine financial exclusion, related to investment products?

3.2 What are the factors affecting the accessibility and usage of financial products, for the financially excluded?

   3.2.1 What are the factors affecting the accessibility and usage of bank accounts?

   3.2.2 What are the factors affecting the accessibility and usage of credit facilities?

   3.2.3 What are the factors affecting the accessibility and usage of *takaful*/insurance products?

   3.2.4 What are the factors affecting the accessibility and usage of investment products?

4.1 Are current financial products and services offered by Islamic Financial Institutions sufficient to meet the financial needs of net deficit households? If not, what alternatives or approaches are feasible?

4.2 Are current financial products and services offered by *zakat* and *awqaf* institutions sufficient to meet the financial needs of net deficit households? If not, what alternatives or approaches are feasible?

5.1 For net deficit households, what approaches can be formulated to create an inclusive Islamic Financial Planning framework, taking the potential of *zakat* and *awqaf* into account?

5.2 For net surplus households, what approaches can be formulated to create an inclusive Islamic Financial Planning framework towards contributing to the potential of *zakat* and *awqaf*?

To obtain responses to these research questions, specific research methods were utilised. However, before describing the methods, it is prudent to highlight the research methodology, as it constitutes the basis upon which to base the selection of the specific research methods.

6.3 METHODOLOGY

Silverman (2010, p. 436) defines methodology as "the choices we make about appropriate models, cases to study, methods of data gathering, forms of data analysis, etc., in planning and executing a research study". Essentially, it is a "philosophical investigation of the techniques of inquiry…" which in itself is "…a branch of epistemology" (Methodology 2004, p. 1).

In general, research methodology in social sciences is divided into qualitative and quantitative approaches. Bryman (2008) compares the fundamental differences between the two approaches, in terms of their orientation to the role of theory, their epistemological orientation and their ontological positioning. In terms of the qualitative approach and its role in the realm of theory, the inductive process is known to be prominent, whereby a theory is developed based upon the findings of the qualitative research. In other words, qualitative approaches tend to result in the generation of theories. On the other hand, the role of theory in the quantitative approach follows a deductive process. This implies the use of theory itself to shape the research findings. Therefore, the quantitative approach is generally viewed as being used to test theories.

In terms of epistemology, the qualitative approach is related to interpretivism, whereby knowledge is viewed as something 'interpreted', due to the belief that the social world has no order or structure (Denscombe 2010). Therefore, the knowledge in itself acquires a subjective meaning (Bryman 2008). Meanwhile the quantitative approach orients itself with positivism, whereby positivism is generally associated with knowledge that can be scientifically tested or verified in an unbiased and rigorous manner (Positivism 2007).

Where ontology or the nature of social reality is concerned, the qualitative approach is linked to constructivism, which considers social phenomena and meaning as continuously being shaped by social actors. Not surprisingly, this subjective view of reality links closely with interpretivism. Meanwhile, the ontological orientation of the quantitative approach is that of objectivism, which tallies closely with positivism, in the sense that objectivism highlights social phenomena as being independent of its actors, and are therefore unbiased and value-free (Bryman 2008).

Another feature of the two varying approaches is the role of personal beliefs and values in research. Quantitative approaches are known to be value neutral, relying on mathematical principles and avoiding any inclusion of bias or personal attachment. Meanwhile the qualitative approach considers such detachment from personal values and beliefs as implausible, though it advocates self-awareness for the researcher to be explicit to the reader regarding any bias (Denscombe 2010). Another difference between qualitative and quantitative approaches lies in the goals or rationale of each approach. In social research, the goal of the qualitative approach is to provide "an understanding of social phenomena" whilst the quantitative approach aims to explain the workings of the social world (Denscombe 2010, p. 133).

6.4 MIXED METHODS RESEARCH

Despite the differences between the philosophical positions of the qualitative and quantitative approaches, Bryman (2008) cautions against overstating the differences between the two approaches, as there are cases where the two intermingle, such as studies where the qualitative approach is used to test theories, rather than generating them. Furthermore, combining quantitative and qualitative research has been more common over recent years, leading to three approaches to research; qualitative, quantitative and mixed-methods research (Bryman 2006). With respect to mixed-methods research, Creswell and Plano Clark (2007, p. 5) defines it as follows:

> "Mixed methods research is a research design with philosophical assumptions as well as methods of inquiry. As a methodology, it involves philosophical assumptions that guide the direction of the collection and analysis of data and the mixture of qualitative and quantitative approaches in many phases of the research process. As a method, it focuses on collecting, analyzing, and mixing both quantitative and qualitative data in a single study or series of study…"

Creswell and Plano Clark (2007) link the mixed-methods approach to the pragmatism worldview, which gives impetus towards the consequence of the research. Therefore, the research questions posed are relatively more important than the methods. In other words, greater consideration is given in the mixed-methods approach, to the practical nature of the research and 'what works' in answering the research questions.

In understanding the rationale and benefits in using this approach, Bryman (2006) analysed the practices of 232 mixed-methods researches and classified the rationale of the use of mixed-methods into 16 categories, described in Table 6.1.

Table 6.1 Rationale for Combining Quantitative and Qualitative Research

No.	Categorisation	Description
1.	Triangulation/ Greater validity	Mutual corroboration of both qualitative and quantitative research to support the same findings.
2.	Offset	Combining research methods towards offsetting their respective weaknesses whilst benefiting from their strengths.
3.	Completeness	Using both methods to attain a comprehensive or complete picture, with regard to the findings.
4.	Process	While the quantitative research highlights findings related to the structures of social life, the qualitative research highlights the process at work.
5.	Different Research Questions	Combining both research approaches to answer different research questions that exist within the same study.
6.	Explanation	Using one research method to explain the findings of the other.
7.	Unexpected Results	Using one research method to explain the unexpected results of the other.
8.	Instrument Development	Using qualitative research to optimally design survey questions, for quantitative research.
9.	Sampling	Using quantitative research to obtain and effectively categorise samples, for qualitative research.
10.	Credibility	Combining both approaches in order to enhance the credibility of the findings.

No.	Categorisation	Description
11.	Context	Using qualitative research provides the context that helps to understand the quantitative research.
12.	Illustration	The use of qualitative research to illustrate quantitative findings, in the sense of "putting 'meat on the bones' of 'dry' quantitative findings" (Bryman 2006, p. 106).
13.	Utility	Notably in applied research, the use of both approaches provides findings that enhance its utility or usefulness, relative to using only one research approach.
14.	Confirm And Discover	Using qualitative research to generate a hypothesis and quantitative research to test the hypothesis.
15.	Diversity Of Views	The use of both approaches to gain diverse views, with the use of quantitative and qualitative researches to attain researchers' and participants' views respectively.
16.	Enhancement	Combining both approaches adds more substance, for instance, in identifying the complexity of findings, compared to undertaking only one research approach.

Sources: Bryman (2006, 2008)

From Table 6.1, it is not surprising that the mixed-methods approach is said to provide a better understanding of the research undertaken, relative to using either approach by itself where, if effectively used, the approach would lead to more than the sums of its parts (Creswell and Plano Clark 2007; O'Cathain, Murphy, and Nicholl 2007 as cited in Bryman 2008).

In terms of this research, the mixed-methods approach is the preferred strategy, due to the varying research questions that cannot be answered by using a single approach alone. In other words, the rationale for using the mixed-methods approach falls under the category of 'Different Research Questions' in Table 6.1. For instance, in this study, research question 1.3 (outlined in Section 6.2), that attempts to ascertain a hierarchical financial structure on financial exclusion, is more likely to be answered effectively using a quantitative approach. Meanwhile research question 3.2 related to understanding the factors that affect financial exclusion is best answered using a qualitative approach. This implies the pragmatism worldview is adopted, where the focus is on using methods that are capable of answering the research questions.

6.5 RESEARCH DESIGN

Before describing the specific research methods used in this study, it is also important to examine the issue of research design. The research design of a study is considered as the framework or ‘blueprint’ plan, that describes and brings all the key components together, towards assisting data collection and data analysis, with the eventual aim of effectively answering the research questions (Bryman 2008; Denscombe 2010). Denscombe (2010) emphasises five key areas to be considered in order to establish the optimal research design for a study, as shown in Table 6.2.

Table 6.2 Key Decisions about Research Design

	Alternative Possibilities	
Time frame	Cross-sectional e.g. survey	Longitudinal e.g. cohort study
Environment	Controlled e.g. experiment, comparative research	Natural e.g. case study, ethnography
Number	Depth (small number, specific) e.g. case study	Breadth (large number, general) e.g. survey
Data	Quantitative Involves measurement and statistics	Qualitative Involves texts and interpretation
Theory	Explanatory (theory testing)	Exploratory (theory building)

Where time is concerned, a cross-sectional study is often noted to refer to a snapshot of a single point in time, for a particular study. Meanwhile, longitudinal studies denote a study collecting information from the same unit (individuals or groups) across time, which is known to be better than cross-sectional studies when, for instance, analysing cause and effect (Jupp 2006).

In terms of the environment, the main distinction lies in whether ‘controls’ are required in a given study. In laboratory experiments, it is not uncommon to create a treatment and control group, for example, to test the effectiveness of a particular drug.

Meanwhile, certain studies require a ‘natural-setting’ environment, where the intention is look at the bigger picture or to observe the unit under study within the complex, holistic settings of the natural world, rather than observing specific variables (Denscombe 2010).

Where decisions on number of units or samples and data are concerned, there is a link between qualitative studies and small sample sizes, as well as quantitative studies and relatively larger sample sizes. In the latter, such studies generally attempt to use descriptive and statistical inferences to attain representative data and generalize their findings, requiring the need for large samples. Meanwhile, qualitative studies are known for attaining a depth of rich and detailed information to understand the circumstances of a particular issue or topic, and therefore, a small sample size is deemed sufficient or practically feasible.

The final decision aspect relates to whether the study aims towards exploring or testing a particular theory. In general, the former pertains to a study in an area where little research/theory has been undertaken and therefore a descriptive or exploratory design is required. In other cases, there may be substantial, previous work done but the researcher ignores these studies and attempts to observe things in a fresh light. Meanwhile, explanatory studies are noted in areas where significant previous studies had been carried out, and the researcher is more interested in extending existing theories further, rather than creating new theories (Denscombe 2010).

In this particular research, the research takes the shape of a cross-sectional design, where a particular point in time is studied and the research is carried out in a relatively natural environment in the form of a case study, more so than a controlled one. Since mixed methods is the preferred strategy, there is a mixture of depth and breadth, where numbers or sample size are concerned, as well as varying forms of data and analysis, depending on the respective research questions. Finally, in the context of theories, the overriding aim is towards theory building or, more specifically, as an explorative case study towards exploring an inclusive Islamic financial planning framework that can accommodate both the poor and non-poor in Brunei Darussalam.

6.6 RESEARCH METHODS

Earlier, Section 6.3.1 highlighted the philosophical differences inherent within the quantitative and qualitative approaches. Aside from those underlying differences, there are also differing research methods or tools that tend to be utilised within each approach. Table 6.3 briefly describes the different research methods used within each approach.

Table 6.3 Descriptions of Various Research Methods

Method	Approach	Authors	Description
Structured/ Standardised interview	QUAN	Bryman (2008)	Aimed at aggregating responses, the interview involves providing close-ended questions and the same stimulus to all interviewees. This includes reading questions in the same order and exactly as they are written, to minimise differences between interviews.
Unstructured and Semi-structured interview	QUAL	Bryman (2008)	Aimed at obtaining richer, detailed responses, with a greater interest in the interviewees' perspective. These interviews have no formal structured instrument, leading to more flexibility such as encouragement to 'ramble' and depart from pre-prepared questions.
Self-completion/ administered questionnaire	QUAN	Bryman (2008), Trochim (2006)	With no interviewer to administer the questions, the importance of maximising response rates requires consideration of the type of questions, content, wording, format, placement and sequence.
Structured/ Systematic observation	QUAN	Bryman (2008)	Aimed at aggregating participants' behaviour, this involves observing and recording behaviour over a predetermined period of time, with the same rules applied to all participants.
Ethnography and participant observation	QUAL	Bryman (2008)	Within an extended time period, this involves intensive participation within the culture/ context under study, whilst at the same time observing, listening and asking questions.
Direct observation/ Non-participant observation	QUAL	Bryman (2008)	Relative to participant observation, this method is more detached and non-obtrusive, in terms of non-participation and mere observation.

Content analysis	QUAN/ QUAL	Bryman (2008)	Aimed at ascertaining certain characteristics or patterns of the content under study, it involves the analysis of documents and texts carried out objectively and systematically.
Focus groups	QUAL	Bryman (2008)	Viewed as a form of unstructured group interview, the facilitator/moderator provides a defined topic to participants, where group interaction and joint construction or production of meaning is vital.
Secondary analysis and official statistics/data	QUAN/ QUAL	Bryman (2008)	Typically involving multiple databases, this approach consists of analysing data from other institutions/researches, to use the data in ways that the initial researcher did not intend to.
Discourse analysis	QUAL	Matthews and Ross (2010)	Analysing words within a text or speech that reflects the ideas behind the text/speech and how the ideas are projected in the language.

Note: QUAN – Quantitative research approach, QUAL – Qualitative research approach

With regard to this research and in view of the research questions outlined in Section 6.2, two research tools described in Table 6.3 are used to answer the different types of research questions, which cannot be answered by using a particular research method alone. These two research tools/methods are the structured interview and semi-structured interview.

Table 6.4 highlights the specific research method that is used to address the respective research questions. Further details of the design of the method are elaborated in the next section.

Table 6.4 Research Method vis-à-vis Research Questions

Research Method	Research Question
Structured interview/questionnaire-based survey	1.1-1.3, 2.1-2.2 and 3.1
Semi-structured interview	3.2, 4.1 and 4.2

6.6.1 Data Collection Tools

As mentioned above, one of the tools used in this study is the structured interview. The structured interview, also known as standardised interview, is a quantitative research method that aims at aggregating responses, by providing similar stimuli or cues to the respondents (Bryman 2008). In this study, the structured interview is implemented in the form of an in-person interview. The in-person interview, also referred to as face-to-face or personal interviewing, is defined as "a purposeful conversation between participants who are physically in the same place" (Oishi 2003, p. 1), and is carried out when the list of response choices is long or confusing, or the study itself contains complex questions (Oishi 2003).

The advantages and disadvantages of using this approach, over other forms of surveys/interviews, are summarised in Table 6.5, as noted in Oishi (2003)[72] and Bryman (2008)[73].

Table 6.5 Advantages and Disadvantages of the In-Person Interview

Advantages	Disadvantages
Over telephone interviews: • In-person interviewers can view the reaction of respondents and respond accordingly. • Further, they may also show items such as show cards[74], to effectively clarify response options and questions. ***Over self-administered surveys:*** • Enhanced role of interviewer by guiding through questions, answering queries and clarifying the meaning of responses may yield accurate responses. • Has control over the response pattern, where the respondent has to follow the predetermined sequence. In self-administered surveys, the respondent may answer from any section which may lead to question-order effects.	***Over self-administered surveys:*** • More costly, especially if respondents are geographically dispersed. While self-administered surveys can be sent through the post, the in-person interview needs to consider relatively higher expenses such as transportation costs. • Longer time period: Notably where postal questionnaires are concerned, thousands of questionnaires can be mailed to respondents efficiently, reaching respondents in a timely manner. Meanwhile, in-person interviews take a considerably longer period, even if teams of interviewers are used. • Interviewer effects, notably those related to social desirability bias, are more pertinent in structured interviews, where the respondent

[72] Unless stated otherwise, all the points under the column heading 'Advantages' are from Oishi (2003) with the exception of the last two points.
[73] All the points under the column heading 'Disadvantages' and the last two points under 'Advantages' are from Bryman (2008).
[74] Show cards refer to a card or paper that contains the question and/or set of response options or answers that is available for the respondent to choose from. It is effectively used when there are numerous response options, or certain sentences are too long to be verbally conveyed.

Advantages	Disadvantages
• Ensures that the person answering the questionnaire is the actual respondent. In a self-administered survey, the person answering may not be the actual respondent. • Interviewer has some control over the sample, in the sense of motivating the respondent to go through the questions. This lowers the risk of missing data and provides a relatively higher response rate, which is particularly important to minimise the risk of bias[75] (Bryman 2008; Oishi 2003). • Able to probe responses, notably responses to open-ended questions. • Able to collect additional information, such as snippets of information about the home or school, which would not be possible with a self-administered questionnaire.	is more likely to answer in a manner that conforms to socially accepted behaviour, in contrast to how he or she may actually want to answer. • Interviewer variability: Self-administered questionnaires do not face the variability of questions being posed in different ways. • Less convenient: Respondents may answer when and at the pace that they prefer to, where self-administered surveys are concerned.

With due consideration to the advantages and disadvantages, and with the research objective in mind, the structured in-person interview/questionnaire-based survey is utilised in this study, notably with a view to encourage respondents to participate in the research, so as to minimise missing data and maximise the response rate.

To mitigate the issue of social desirability bias, potentially sensitive questions related to respondents' personal financial data are written down by the respondents themselves and placed in an envelope that does not contain their name, while the remaining interview is largely done verbally. According to Oishi (2003), this approach maintains the advantages of the in-person interview, while minimising socially desirable responses.

While the structured interview/questionnaire-based survey is carried out for quantitative analysis, the semi-structured interview is undertaken for qualitative analysis. Silverman (2010), in distinguishing interviews in the quantitative versus

[75] The risk of bias refers to the assumption or belief that those who refuse to answer are significantly different in terms of the characteristic under study, than those who do.

qualitative methodology, highlights that the former mainly involves fixed-choice questions which attempt to understand ‘experience’ while the latter involves open-ended questions to provide a narrative construction of such ‘experience’. More specifically, the use of semi-structured interviews is aimed towards attaining rich and detailed responses that could not be attained from the standardised interview, while at the same time, retaining some form of structure by using an interview guide to facilitate the process (Bryman 2008).

6.6.2 Level of Measurement

The role of measurement in any study refers to a process of assigning a value to a level or to state the quality of the object being studied. It primarily involves “reducing qualitative data to a more condensed form for manipulation, processing and analysis” (Jupp 2006, p. 168). In a practical sense, understanding the level of measurement helps to ascertain the appropriate type of statistical analysis (Trochim 2006).

Field (2009) distinguishes five levels of measurement, within two broad categories summarised in Table 6.6. The first categorisation, categorical variables, is composed of categories and may follow a binary, ordinal or nominal form. Meanwhile, continuous variables pertains to a value or score for each unit, which can take any value in the measurement level.

Selection of the measurement levels is notably pertinent in quantitative studies where measurement levels dictate the most appropriate type of statistical analysis. For instance, if only categorical variables are available, the options of statistical analysis are limited to certain statistical tests such as contingency table methods and logistic regression methods. Meanwhile, if the relevant continuous variables are available, further statistical tests may be applicable such as ANOVA methods and multiple regression methods (Agresti and Finlay 2009). Table 6.7 outlines the types of measurement levels used in this study vis-à-vis the question numbers, as noted in the Questionnaire.

Table 6.6 Levels of Measurement

Variable		Brief Description
Categorical	Binary	When there are only two categories and the unit or entity can only take one form, it is considered a binary variable. For instance gender, where a person can be categorised as either a male or female.
	Nominal	When there are more than two categories and the unit or entity can only take one form, it is considered a nominal variable. For example, marital status of a given person may fall into single, married, divorced or widowed.
	Ordinal	This variable is similar to the nominal variable, in that there are more than two categories, but a distinct difference exists in that ordinal categories are ordered. An example is that of credit ratings where an 'A' rating is considered higher than 'B', and can therefore be stated as having some order.
Continuous	Interval	In general, an interval variable is known to be more useful than an ordinal variable, in the sense that interval variables not only have an order, but the distance or interval between the variables is known. For example, a 5-point scale showing the frequency of regular savings implicitly states that the difference between rating 1 and 2 has the same difference between rating 4 and 5.
	Ratio	This variable is similar to interval variables, but a distinct difference is that there must be an absolute zero point and the relative scores must make meaningful sense. Take for instance, two people taking a personal finance test, where the results may range from 0 to 100. Here, a person scoring 100 is said to be twice as knowledgeable in the subject, as a person scoring 50.

Table 6.7 Level of Measurement for the Structured Interview Questionnaire

Level of Measurement	Question Number
Binary	Section A (Q1), Section B (Q2, 3, 4, 5)
Nominal	Section A (Q4, 5, 6, 9, 10), Section C (Q1, 2a), Section D (Q2, 3, 4, 5), Section F (Q1(i), 2, 3, 4)
Ordinal	Section C (Q2b), Section F (Q1(ii))
Interval	Section B (Q1), Section C (Q3), Section D (Q1)
Ratio	Section A (Q2, 3, 7, 8), Section E (Q1, 2, 3)

6.6.3 Contents of Questionnaire (for Structured Interview) and Interview Guide (for Semi-Structured Interview)

In total, there are about thirty questions posed during the structured interview/questionnaire-based survey, with six sections covering distinct areas, as described in Table 6.8.

Table 6.8 Sections of Questionnaire

Section	Description
A	Background information of respondents.
B	Collects data related to the importance and usage of financial products/services, as well incidence of financial exclusion.
C	Inquires the financial planning activity undertaken by respondents.
D	Relates to the perceptions and opinions of respondents towards *zakat, awqaf* and Islamic financial planning.
E	Relates to financial assets and liabilities of respondents (and spouse, where relevant).
F	Ascertains financial planning knowledge of respondents.

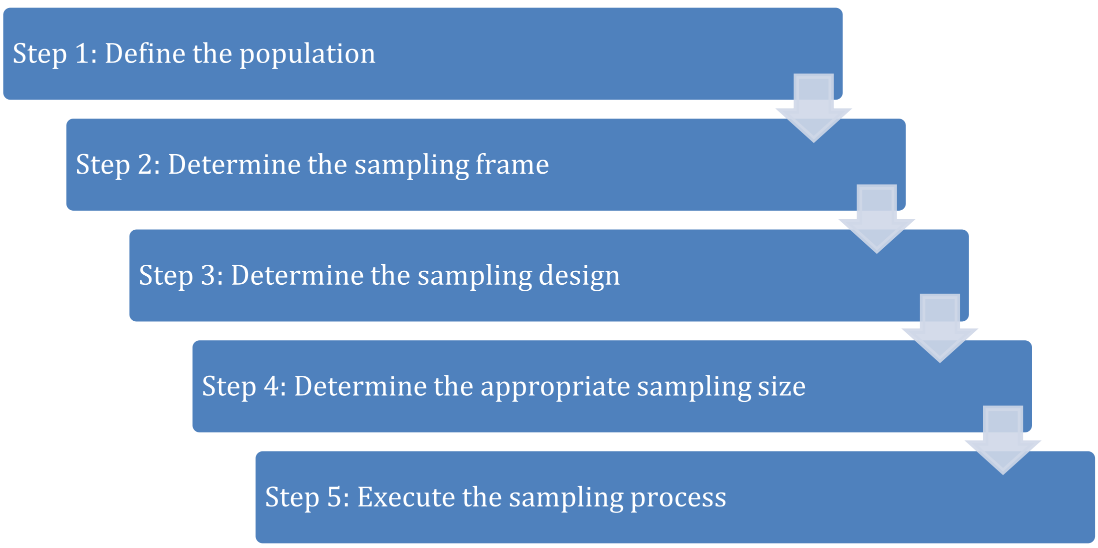
In terms of the semi-structured interview, the interview guide contains 2 main questions. The first question inquires into financial exclusion access and usage issues that respondents face, while the second question ascertains the effectiveness of financial capital provided by welfare assistance programmes. As is the norm in semi-structured interviews, additional questions were posed during the interview depending on the circumstances and answers provided. These relate to the financial approaches that households undertake when faced with emergencies, as well as the *zakat* disbursement process as experienced by the respondents.

Due to practical considerations, the Questionnaire and Interview Guide were translated into the Malay language, to mitigate language barriers. Where the questionnaire is concerned, this was carried out by two individuals; the author himself and a staff member from the Malay Language and Linguistic Department of Universiti Brunei Darussalam. Appendix I and II provides a sample of the Questionnaire and Interview Guide respectively, in both English and Malay.

6.7 SAMPLING DESIGN

Trochim (2006) highlights sampling as "the process of selecting units (e.g., people, organizations) from a population of interest so that by studying the sample we may fairly generalize our results back to the population from which they were chosen." Figure 6.1 summarises the steps noted by Sekaran and Bougie (2009) towards undertaking the sampling process.

Figure 6.1 The Sampling Process



6.7.1 Research Population

Here, the term population is broader than a reference to the number of people within a country, but extends to the universe of units, from which samples are to be chosen (Bryman 2008). By defining the 'universe' first, it answers the question, "To whom do we want to talk?" (Zikmund 1991, p. 335).

As noted in Section 6.5, there are two research methods utilised in this study. With regard to the structured interview/questionnaire-based survey, the target population is divided into two groupings: net surplus and net deficit. In general, the net surplus group refers to all households[76] in Brunei who consistently possess sufficient funds at month end to sustain their living expenses, while the net deficit group refers to households in Brunei that consistently face difficulties at month end, to sustain their livelihood.

Ideally, the differentiation of net surplus and net deficit households would be derived from the poverty line, with those above the line considered as net surplus households and those below as net deficit households. Unfortunately, Brunei does not have a definite poverty line, as noted in the previous chapter. In the absence of a poverty line, an alternative is to distinguish net surplus and deficit households by assessing the use of financial assistance by households. Here, the main assumption is that households in Brunei that consistently face financial difficulties are believed to seek financial assistance, be it provided by government agencies, private institutions, non-government organizations or individuals.

When referring to net deficit households, the target population is narrowed down to *zakat* recipients, specifically those receiving *zakat* under the category of *fakir* (destitute) and *miskin* (poor). By focusing on the above-mentioned recipients, a greater understanding of financial exclusion issues can be obtained, especially as research question 4.2, noted in Section 6.2 earlier, aims to assess the potential role of *zakat* and *awqaf* institutions towards mitigating financial exclusion.

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[76] The term 'household' in this study is similar to that adopted by the Department of Statistics (n.d, p. 2) in the '2005 Summary Tables of Household Expenditures Survey: Brunei Darussalam', defining a household as being "composed of a group of persons who live together and make common provision for food and other essentials of living". This definition includes one-person households.

Where both net surplus and net deficit households are concerned, a particular criterion towards defining the target population is the religion or belief held by the head of household. Due to the usage of Islamic concepts such as *zakat* and *awqaf* in the study, limiting the study to households in which the heads of households are Muslims, aims to effectively gauge their perceived understanding of these concepts. Another particular criterion is that the research population is comprised of households from the Brunei-Muara district only. The Brunei-Muara district is chosen due to resource constraints and the fact that the district has the largest population size, with about 70 percent[77] of the Brunei population residing there.

In the context of the semi-structured interview, the population comprises of net deficit households only, that is the relevant *zakat* recipients noted above. Since the interview aims to extract rich, detailed information related to financial exclusion, *zakat* recipients under the category of *fakir* and *miskin* are more likely to provide insights than net surplus households, due to the former's increased likelihood of being financially excluded.

In summary, the research population for the structured interview refers to net surplus and net deficit households, while the semi-structured interview population consists only of net deficit households. Further, for net deficit households, the population is made up of *zakat* recipients under the category of *fakir* and *miskin*. In all cases, only heads of households who are Muslims, and residing in the Brunei-Muara district, are included.

6.7.2 Sampling Frame

A sampling frame refers to a listing of units attained from the population, from which the sample will be selected, whereby the emphasis at this stage of the process is to gauge whether a sampling frame can be ascertained or employed (Bryman 2008; Jupp 2006). For instance, if a sample of factory workers were to be ascertained, the sampling frame may be a listing of factories from which the sample of workers would be selected (Frame 2000).

[77] According to Brunei Darussalam Statistical Yearbook 2008, the Brunei-Muara district has a population size of 276,600, relative to the total population figure of 398,000 (Department of Statistics 2009b).

Although in the above example the listing is relatively easily attainable, in some situations either such listing may not be available or practically may not exist. In the context of this study, identifying the sampling frame for net surplus households falls into this category, since there is no list or resource available that indicates which households are better off. With no definite sampling frame available, the alternative approach is to directly determine the sampling method for net surplus households, which will be discussed in the next section.

Meanwhile, for the net deficit households, the sample frame is ascertained from Majlis Ugama Islam Brunei (MUIB), the main body responsible for collection and distribution of *zakat* in Brunei. More specifically, the listing of net deficit households is obtained from the listing of *zakat* recipients under the category of *fakir* and *miskin*, as compiled by MUIB.[78]

6.7.3 Sampling Methods

In general, there are two categories of sampling methods; probability sampling and non-probability sampling. Probability sampling equates to random sampling, which is a situation where all units in the sampling frame have a non-zero probability to be selected (Probability 2006). Some of the common sampling methods include simple random sampling, systematic sampling, stratified random sampling and cluster random sampling (Trochim 2006; Zikmund 1991). Meanwhile, non-probability sampling refers to all other sampling methods that do not fall into the probability sampling category, or to a case where the sample was not selected randomly. These methods include snowball sampling, convenience sampling, quota sampling and purposive/judgment sampling (Bryman 2008; Zikmund 1991).

In terms of quality, Bryman (2008) highlights that findings from a sample using probability sampling can be generalised to the population from which the sample was selected. This is intuitively understood due to the random nature of the sampling, and it is therefore not surprising that researchers generally find probability sampling to be more rigorous. However, there may be circumstances where probability sampling is

[78] Although the population and sampling frame mainly relates to *zakat* recipients, in minor instances during the fieldwork, recipients from JAPEM (Community Development Department) and other welfare-related institutions were also included as interviewees. The inclusion of these welfare recipients does not affect the scope of the sampling frame, as essentially they fall into the same category of being in a ‘net deficit’ situation.

not possible, practical or sensible (Trochim 2006), such as when no sampling frame exists or when the researcher must make use of respondents that are only available to him or her (Jupp 2006).

In the context of this study, the sampling approach for net surplus households falls into such a category. It is somewhat difficult to use a probability sampling method as no listing of net surplus households or sampling frame can be easily obtained. Even if net surplus households can be ascertained from cluster or area sampling, cost and resource constraints play a particularly significant factor. Zikmund (1991) highlights the significance of time and resource constraints, notably restrictions on financial and human resources as well as deadlines, as practical considerations in any research.

After considering the limitation of financial and human resources, a non-probability sampling method is considered for net surplus households. In choosing the optimal non-probability sampling method, one main consideration is to minimise the systematic bias of respondents being chosen, who are close to or most convenient for the interviewer. Therefore, quota sampling, in relation to the sub-districts in the Brunei-Muara district, is chosen. Using quota sampling not only minimises the systematic bias noted above, but it also assists in avoiding over-sampling from one particular sub-district, where respondents may possess certain characteristics distinct from other sub-districts, such as possessing a relatively higher education level.

In terms of net deficit households, the use of both structured and semi-structured interviews means that more time and resources are needed, should a fully-fledged state-level research be undertaken. This constraint is especially important, considering the subject matter relates to enquiry into the personal finances of net deficit households. In other words, due to its potentially sensitive nature, this research demands more time and tact, compared to other less intrusive subject matter. A recent study related to poverty in Brunei, further highlights the need to consider the time constraint. Ali (2008) in her study of *zakat* in Brunei noted that the survey on *zakat* distribution, which involves *zakat* recipients, took longer than *zakat* collection, with the former taking about four months to complete[79]. With this in mind, the purposive

[79] In her particular research, the total sample size is 250 respondents, at which 150 relates to the *zakat* distribution interview/survey, made up of those who received *zakat* (*fakir* and *miskin* category) as well as those whose applications were unsuccessful.

sampling method is used to select net deficit households in this study. This involves interviewing those under the MUIB listing, who lived within the same sub-district as the interviewer, as long as they lived in the Brunei-Muara district and the respondent is a Muslim. If no interviewee was available in the same sub-district, the nearest sub-district was then considered.

6.7.4 Sample Size

Bryman (2008) highlights that decisions on sample size depend on factors such as non-response, the heterogeneity of the population and the type of analysis undertaken, and that such decisions will essentially become a compromise involving these factors, alongside the practical constraints of time and cost. Further, it is the absolute size of the sample that is important, not the relative size. For instance, a probability sample of 800 individuals in Brunei may possess a similar validity to a probability sample of 800 individuals in Malaysia, even though the latter has a higher population size.

Fowler (1988) concurs with this view, when discussing common misconceptions on the selection of sample sizes. These misconceptions include using a percentage of the population to select a sample size, and selecting a size depending on ‘standard’ survey studies where some individuals note, for instance, that “good national survey samples generally are 1,500 or that community samples are 500” (Fowler Jr. 1988, p. 41). Where ‘standard’ survey studies are concerned, although Fowler (1988) acknowledges that looking at similar past studies and their size may provide some input towards selecting sample size, they should not be used conclusively without considering other factors in the research design and the goals of the study.

In certain cases, decisions on sampling sizes are assisted by tables designed to provide guidance towards selecting a sample size, given the population size, confidence interval and heterogeneity of the population, among other factors. For instance, Krejcie and Morgan (1970 as cited in Sekaran and Bougie 2009) note that for a population of 1 million, a sample size of 384 suffices. Meanwhile, Yamane (1973) highlights that assuming a 95 percent confidence interval, five percent margin of error and 50 percent variability, a population size of 100,000 would lead to a sample size of 398 while as the population approaches infinity, the sample size is 400.

In many cases, these tables and the related computations assume a normal distribution and in some calculations take into account the sampling error, which cannot be ascertained within the context of non-probability sampling, as noted in Backstrom and Hursh-Cesar (1981 as cited in Cottrell and McKenzie 2011). Therefore, in the realm of non-probability sampling, the rules towards selecting a sample size are less stringent compared to probability sampling, where sample size is dependent upon the research objectives; particularly what is it that the researcher wants to find out, what is highly useful, what adds credibility and what can be done within the resource constraints of time and costs (Patton 2002 as cited in Saunders, Lewis and Thornhill 2009).

To find the optimal sample size with due consideration of the research objectives and limitations of this study, a minimum of 200 participants is ascertained for each net surplus and deficit group, taking the total number of sample size for the structured interview/questionnaire-based survey to 400 households, at the very least. With regard to the sub-district and net surplus group, the minimum sample for each sub-district is proportionately ascertained from the respective population number, as highlighted in Table 6.9.

The figures under the ‘Projected Sample Size’ column are considered as the minimum number of heads of households to be interviewed for a given sub-district. During the fieldwork, for the most part as shown in the ‘Actual Sample Size’ column, the minimum figures or quotas were generally met, with the exception of Kianggeh and Burong Pingai Ayer, where these sub-districts’ quotas were not fully met.

In terms of the semi-structured interview, in line with other qualitative studies, consideration of the sample size is made with the aim of attaining rich, insightful information and having the capacity to transcribe and analyse the data properly, with respect to the research objectives (Silverman 2010). Consequently, a sample size of 39 respondents was selected for analysis.

Table 6.9 Structured Interviews - Sample Size by Sub-District for Net Surplus Households

No.	Sub-District	Total Population	Projected Sample size	Actual Sample size
1	Berakas ‘A’	22,451	20	26
2	Berakas ‘B’	42,132	37	35
3	Gadong	52,205	46	58
4	Kianggeh	12,168	11	4
5	Kilanas	17,313	15	14
6	Kota Batu	13,417	12	10
7	Lumapas	6,467	6	5
8	Mentiri	13,138	12	11
9	Pengkalan Batu	11,734	10	13
10	Sengkurong	19,766	17	26
11	Serasa	7,563	7	8
12	Burong Pingai Ayer	2,160	2	0
13	Peramu	1,225	1	1
14	Saba	1,102	1	1
15	Sungai Kebun	2,724	2	3
16	Tamoi & Sungai Kedayan	1,372	1	1
	TOTAL	226,937	200	216

Note: The ‘Total Population’ figures for the Brunei-Muara district are attained through personal communications with Md Rizal bin Zainal Abidin on 14th June 2011.

6.8 VALIDITY AND RELIABILITY

6.8.1 Validity

The accuracy of a study is generally viewed within the realm of its validity and reliability. Validity refers to the integrity of conclusions drawn from the research (Bryman 2008); for a study to conclude with a distinct level of integrity, it is dependent on the accuracy of data and analysis undertaken within the study. Therefore, when the true meaning of validity is dissected, it refers to the “quality of data and explanations and the confidence…that they accord with what is true or what is real” (Denscombe 2010, p. 143).

Jupp (2006) highlights that in general, the validity of conclusions can be viewed from three aspects; internal validity, external validity and measurement validity. Internal validity refers to the validity of explanation; how valid one's explanation is when answering why and how some circumstances occur. In this study, to ensure internal validity, statistical control through the use of logistic regression[80] for the quantitative data is undertaken. Meanwhile, with regard to external validity or the extent of generalizing findings to the population, this is deemed outside the scope of this study, as non-random sampling was undertaken in this study.

Measurement validity refers to the extent to which the variable chosen measures the concept that it is supposed to measure. There are five different ways of assessing the measurement validity of a given concept (Bryman 2008) which are face validity, concurrent validity, predictive validity, construct validity and convergent validity. For the questionnaire used in the structured interview, two types of measurement validity are deemed pertinent: face validity and convergent validity.

Face validity assesses whether, 'on the face of it', the variable captures the concept that it intends to measure, and this judgement is commonly undertaken by experts within the field. Meanwhile, convergent validity relates to the use of another approach or variable that captures the essence of the concept. In effect, it uses triangulation to assess whether the methods converge in a manner that allows them to capture the concept effectively (Bryman 2008; Jupp 2006). Convergent validity was used in this study during the pilot test, towards ascertaining how best to pose the questions related to financial exclusion. The use of convergent validity during the pilot test is described in Section 6.7.3.

In other aspects of the questionnaire, and interview guide used in the semi-structured interview, the general validity of the questions were ascertained further from the responses, difficulties and concerns raised by respondents during the pilot test. Specific aspects that were considered during the pilot test, where validity or reducing measurement error is concerned, are noted in Section 6.7.3.

[80] Further information of the statistical tool is described in Section 6.8.2.

6.8.2 Reliability

While validity pertains to the integrity related to data and analysis, reliability pertains to the consistency of methods and techniques used during data collection. In other words, reliability is said to exist when similar findings are found, when different settings are used, different researchers are involved or the same respondents are interviewed/contacted at different times, assuming nothing has changed and that all else is equal (Jupp 2006).

One such reliability measure that is pertinent in this study is inter-observer consistency, particularly relevant in the structured interview, as the method involves providing respondents with the same questions or stimuli to quantify their responses. Bryman (2008) highlights that changes in the ways questions are posed is a form of error. In this research, to mitigate this particular error, training was provided to interviewers to ensure consistency of wording and order of questions, as well as similarity of prompts.

Another measure of reliability pertains to internal reliability, which considers whether grouped items that attempt to measure different aspects of the same concept are indeed consistent (Jupp 2006). To that end, Cronbach's alpha is used; Pallant (2010) highlights that Cronbach's alpha provides an indication of the overall reliability of items that measures a particular underlying construct, with values above 0.7 considered as acceptable. In this study, one particular construct that is used involves money management[81], and the Cronbach's alpha for money management is 0.82, a level that can be considered as reliable.

In terms of qualitative research, Silverman (2010) highlights that inter-coder agreement and field note conventions assist in enhancing the reliability of field data. The former contributes to ensuring that where more than one coder is used in a study, there is a general agreement on the coding of a particular item (Bryman 2008). In terms of field note conventions, this strengthens reliability by capturing the necessary explicit and other 'sound particles' that assist researchers towards a particular research direction (Silverman 2010). In this study, where the semi-structured

[81] The underlying construct involving money management is ascertained from Section C (Question 3a-c) of the Questionnaire.

interview is concerned, although only one coder is responsible for the coding process, due attention was paid to ensure coding related to the field note conventions was undertaken in a consistent manner.

6.8.3 Pilot Test

Pre-testing and piloting questions provide the opportunity to assess the research instruments as a whole (Bryman 2008), and help to reduce measurement errors prior to undertaking the actual study (Trochim 2006). Such procedures also provide training opportunities for research personnel such as interviewers, as well as assessing the overall administration and procedures of the fieldwork (Oishi 2003).

The pilot test conducted from mid-July to mid-August 2011, was aimed at identifying and mitigating potential areas of concern pertaining to:

- Quality of introduction or introductory statements, and length of time taken to administer the interviews (Oishi 2003).
- Instructions to interviewers and procedures for recording responses, in terms of accuracy and adequacy (Bryman 2008; Oishi 2003).
- Questions with which respondents would feel uncomfortable and areas where they may lose interest (Bryman 2008).
- Question order effects as well as the order and transition between sections (Oishi 2003).
- Confusing or poorly worded questions and those positioned poorly, where flow is concerned (Bryman 2008; Oishi 2003).
- Whether relatively sensitive open-ended questions, such as those pertaining to personal financial data (Section E), were effectively answered.

The above areas of concern were amended into questions and posed to participants during the pilot test. A copy of the questions can be found in Appendix III. Throughout the pilot test period, both the English and translated Malay set of questions were tested, and re-tested upon revision. In addition to obtaining feedback from participants, the pilot test also assisted to identify the optimal approach in conducting the semi-structured interview.

The importance of the pilot test cannot be over-emphasized, for it brought significant changes towards measuring the financial exclusion concept, as well as simplifying potentially confusing questions such as those related to *zakat* and *awqaf*, among others. For instance, where financial exclusion is concerned, the pilot test provided the opportunity to assess the questions related to financial exclusion through convergent validity or using triangulation. More specifically, the pilot test involved using two different sets of questions related to financial exclusion. Firstly, during the structured interview, respondents were asked the original set of questions that was intended to capture the essence of financial exclusion (denoted as 'Set A'[82]). At the end of the interview, a different set of questions (denoted as 'Set B'[83]) also pertaining to financial exclusion was posed, intended to capture the same response to 'Set A'. In other words, both sets of questions ('Set A' and 'Set B') were presumed to lead to similar responses, towards capturing the concept of financial exclusion. However, the responses to the two sets of questions did not match and therefore the approach or questions related to financial exclusion was refined, and subsequently re-tested. This example of the pilot test highlights the importance of pilot testing for this research, in order to ensure the validity of findings, notably with regard to the measurement validity of financial exclusion.

6.8.4 Fieldwork Training

With consideration of the time restriction and sample size for the structured interview/questionnaire-based survey, numerous interviewers were involved in the study. Consequently, to minimise measurement errors and potential inconsistencies, such as those related to inter-observer consistency, information was provided through a briefing and training session undertaken in July 2011. The briefing and training session covered:

- Introduction to key concepts, aim and objectives of the study.

[82] The essence of financial exclusion was sought by comparing responses to Question 1 (Section B), against Question 4 (Section B), and Question 1 and 3 (Section E). Here, financial exclusion was gauged by ascertaining whether respondents owned or used financial products and services, which they considered as relatively important. Specifically, pilot respondents were asked to indicate if they found 17 financial products and services as important or otherwise, through a 7-point Likert scale and were also asked if they use these financial products and services. In other words, if a product were deemed relatively important, its non-usage would have indicated a measure of financial exclusion.

[83] After the pilot test, these additional questions were posed to capture the measure of financial exclusion: (i) 'Which financial product/service do you find difficult to access or apply for? (ii) Did you manage to apply for the product? (iii) Which financial product/service do you find difficult to maintain?'

- Gaining familiarity with the research tool/structured interview style.
- Good standards of interview practices.
- Undertaking practice sessions.
- Sample size and sub-districts involved in the study.
- Ethical considerations[84], notably confidentiality concerns.
- Administrative matters related to monitoring and collection of questionnaires.

During the briefing, interviewers were also provided with job aids such as checklists, show cards and an interview log[85]. All in all, the briefing/training sessions identified aspects that were potentially confusing for interviewers, such as the diverse and relatively complex financial products, the Islamic concepts of *zakat* and *awqaf*, as well as the actual implementation of structured interviews. After addressing these aspects, this consequently minimised the reliability concerns noted earlier, in Section 6.7.2, with regard to inter-observer consistency.

6.9 DATA COLLECTION AND ANALYSIS

6.9.1 Data Collection

The data collection process was conducted over a period of four months, from late August to November 2011. With regard to the structured interview and net deficit households, using the *zakat* listing provided by MUIB, interviewers would initially contact *zakat* recipients to gauge their interest in participating in the research, and upon receipt of a positive response, would proceed with the structured interview at the respondent's residence. For the net surplus households, as this involved quota sampling, interviewers would contact individuals who lived within the respective sub-districts illustrated in Table 6.9 earlier, and attempt to fill up the quotas for each sub-district.

In terms of the semi-structured interviews with net deficit households, this was solely undertaken by the author due to concerns of inter-observer reliability issues. This is

[84] These considerations include aspects stated in the Ethics and Data Monitoring Form approved by the Ethics Committee of the School of Government and International Affairs (Durham University), prior to the commencement of the fieldwork.

[85] The interview log refers to a log that assist interviewers to keep track of their progress and a reminder of outstanding issues, an essential tool advocated by Oishi (2003).

especially pertinent, as this interview required an in-depth understanding of the research questions and key concepts involved in the study. The semi-structured interview usually followed through after the structured interview, and although a set of questions was prepared beforehand, this was only used as a guide, as questions were amended or added depending on the respondents' answers.

Due to the sensitive nature of personal finance and ethical considerations, due attention was given to those matters in the actual interviews. Before the structured interview took place, a letter introducing the research was provided to the respondent, which also described the usage of the information, voluntary nature of the study and anonymity of the responses. Further, the nature of the study, confidentiality and usage of the information was also verbally communicated to the respondent.

Over the four-month period, a total of 39 semi-structured interviews and 431 structured interview sessions took place, as shown in Table 6.10.

Table 6.10 Summary of Interview Sessions

Households	Structured Interviews	Semi-Structured Interviews
Net Surplus	216	-
Net Deficit	215	39
Total	431	39

6.9.2 Data Analysis

To answer the research questions noted in Section 6.2, a number of tools and methods were used. These include:

1. ***Cross-tabulation***: Also known as contingency tables, this particular method of analysis is considered flexible when dealing with any pair of variables or bivariate analysis (Bryman 2008). In this research, this method is notably used in the descriptive analysis in Chapter 7, comparing responses by net surplus vis-à-vis net deficit households, and thus provides an initial statistical perspective of the context under study.

2. ***Pearson's Chi-Square test***: Towards analysing the statistical association of categorical variables, Field (2009) highlights that this method is used to either test assumptions on categorical data or test how well models fit the data under

observation. The former is applicable in this research, to test for significant association of variables in Chapter 7, as well as identifying the existence of a hierarchical financial structure in Chapter 8. However, in certain cases where an assumption of the Pearson's *chi*-square test is violated, Fisher's exact test is used instead as a substitute[86].

3. ***Logistic Regression***: Pallant (2010) states that when dependent variables have categorical outcomes, the logistic regression can be used irrespective of whether the independent variables are continuous, categorical or both. The use of the regression is also critical as a statistical control, as noted in Section 6.7.1, towards ascertaining internal validity.

   In this study, the logistic regression for binary response variables was used in various analyses, which include identifying variables that are associated with saving motives, financial exclusion, financial planning knowledge and financial practice. The analysis begins with ascertaining that the assumptions are met, which includes testing for linearity of the logit, testing for multicollinearity, independence of error and ensuring that incomplete information from predictors were mitigated.

   When the relevant assumptions were met, eight variables were tested against each dependent variable; the eight variables were gender, marital status, employment status, home ownership, size of family, education, age and earnings. Aside from ascertaining the statistical significance of the variables, the odds ratio is widely used to interpret the findings. The odds ratio represents the change in odds as a result of a unit change in the predictor variable. Here, "…if the value is greater than 1 then it indicates that as the predictor increases, the odds of the outcome occurring increase. Conversely, a value less than 1 indicates that as the predictor increases, the odds of the outcome occurring decrease" (Field 2009, p. 271). The use of the logistic regression is prevalent in Chapter 8, where the quantitative findings of the study are described.

[86] An instance of violation is when the assumption that the expected frequency should be greater than 5 is not met. In such a case, Field (2009) suggests the alternative use of Fisher's exact test.

4. ***Coding***: In terms of the qualitative aspects of the data, that is the semi-structured interview, two cycles of coding were undertaken, as suggested by Saldana (2009). The first cycle involves generating key words alongside the data, which provides insights, with regard to the respective research question, notably using In Vivo Coding and Initial Coding. In Vivo Coding, also known as ‘Verbatim Coding’, refers to using a short phrase or words taken from the actual transcribed data (Saldana 2009). Meanwhile, Initial Coding involves coding each segment of the data, whilst being open-minded as to the direction that the code may lead to. In the second cycle, the Focused Coding approach is generally used, which involves categorising earlier codes, which are frequent or significant in nature (Charmaz 2006). The resulting analysis of the semi-structured interviews is shown in Chapter 9.

6.9.3 Outliers

With regard to the continuous variables, outliers in the data were analysed using boxplots and further verified in order to resolve whether the outliers were genuine or errors that occurred during the data entry process, as suggested by Pallant (2010). Field (2009) outlines three main options to deal with outliers; removing the case, transforming the data or changing the score. With regard to the first option, removing the particular case was not undertaken, as the case itself is believed to be a genuine part of the sample. In terms of transformation of data, attempts were made to either create a log or square root transformation, but the transformation did not succeed for all cases. As a final resort, the score was changed to be one unit above the next highest score.

6.10 LIMITATIONS

Throughout the research, several factors are known to affect the findings of the study or how it can be interpreted. These factors are:

6.10.1 Sample and Sampling Design

Certain drawbacks of quota sampling and purposive sampling methods, which also apply to other non-probability sampling methods, are acknowledged. The main drawback relates to the disadvantage or difficulty of generalising the findings to the target population, as random sampling was not undertaken. Another drawback pertains to the potential of over-representing certain individuals, such as those closer or more convenient to the researcher (Bryman 2008). However, towards choosing the appropriate sample design, Zikmund (1991) highlights that in certain situations, the degree of accuracy towards selecting a representative sample may not be the overriding criterion. For instance, an exploratory study may be more interested in its viability rather than its external validity. This study falls into such a category, but nonetheless, the disadvantage of being unable to generalize the findings is noted accordingly.

6.10.2 Financial Data

The financial figures provided by respondents should be noted somewhat cautiously, as certain figures are likely to be under-reported. For instance, during certain interviews respondents highlighted that they did not know the market value of their properties and could only provide the original value. The use of original values or best estimates may also apply to other variables such as the amount in their Employee Provident Fund or TAP accounts, as in reality, the actual amount that individuals possess is difficult to gauge, due to the lack of readily available financial data.

Further, respondents may also under-report their actual earnings or amount of financial assets. For example, net deficit respondents may be cautious of providing their actual earnings, with concerns that it may affect them in their welfare disbursements. Meanwhile net surplus respondents may also be cautious on providing the amount of their financial assets, as there are few known studies in Brunei that requires respondents to provide absolute figures. In other words, it is not known if different figures would have been attained if categorical options or intervals were provided. Although this matter was considered in the pilot study, and much had been done to build rapport and trust during the structured interviews, such as emphasizing the anonymous nature of the information provided, there is still potential for under-reporting these variables.

6.10.3 Lack of Available and/or Reliable Data

During the data entry process, certain answers provided during the structured interview were considered as somewhat unreliable, such as responses to Question 1 (a-b) of Section D. For instance, in a number of interviews, some respondents appear to answer Question 1(a) confidently, and only when answering Question 1(b) highlight that they do not really understand financial planning. Due to concerns about the reliability of these responses, they were omitted during the analysis. Although it would have provided a measure of how well respondents understood Islamic financial planning and the sufficiency of Islamic financial planners in Islamic banks, it should be noted that the omission of the questions is not critical to the main findings relating to an inclusive IFP framework. In view of future research, it may well be advised to use a scenario-based question to gauge respondents' understanding of IFP, rather than a self-reported approach. Further, it would be useful to utilise a scenario-based question as a filter question, if investigating the sufficiency of Islamic financial planners in Islamic banks.

Another case of unreliable data relates to a financial product that may be interpreted differently, when translated in Malay. For example, the term 'Fixed Deposit' when translated into Malay is noted as 'Simpanan Tetap', which can be interpreted correctly as 'fixed deposit', or incorrectly noted in its literal term as 'regular savings'. In such cases where the amount is considered unreliably low for a fixed deposit, the figure is set as a missing value. Future research may need to consider inserting descriptions alongside this term, or provide a short terminology list for respondents to read, as an aid and prior to answering the respective questions.

During the data entry process, there are also instances of unreliable data, where financial amounts are concerned. For instance, certain TAP amounts or those related to the Employee Provident Fund were suspiciously low, whilst certain asset and loan/financing values were left empty, rather than crossed out. In cases such as these, where the raw data is considered unreliable or missing, the figure in SPSS is stated as a missing value, which consequently affects the computation of the variable under study. Despite this limitation, the impact towards the findings is considered minimal. For instance, the most notable impact of the missing values relates to the Net Worth variable, shown in Table 7.1 (Chapter 7). Out of a potential pool of 216 net surplus and 215 net deficit respondents, the missing values meant that the available sample for any analysis related to the Net Worth variable is 161 net surplus and 189 net deficit respondents. These figures, despite being relatively lower than the potential pool, can still be considered as an adequate sample.

6.11 CONCLUSION

With a view to explore an inclusive IFP framework in Brunei, the research methodology and research design sections of this chapter described the structure required to undertake the research, especially noting the use of the structured interview/questionnaire-based survey and semi-structured interview. The chapter also touched upon sampling design aspects, highlighting the selection of the purposive and quota sampling method, in view of the exploratory nature and resource constraints of the study. To ensure that the conclusions of the study are accurate, a discussion of validity and reliability is also included. Towards the end, approaches undertaken during the data collection stage, and specific methods used during the data analysis stage, are also described. Finally, the limitations of the study are explained, taking into account the sample and data involved.

Chapter 7
DESCRIPTIVE STATISTICS

7.1 INTRODUCTION

Before exploring the empirical findings of the research, it is prudent to highlight the descriptive statistics of the fieldwork data. Descriptive statistics not only assist in summarising the data into a meaningful output, but also answer specific research questions and provide a better understanding of the characteristics of the sample under study (Agresti and Finlay 2009; Pallant 2010).

In this chapter, much of the descriptive analysis will be undertaken through the categorisation of net surplus vis-à-vis net deficit households. As mentioned in Chapter 6, the sample consists of a total of 431 respondents, of which 216 are from net surplus households and 215 are from net deficit households.

The chapter is organised as follows: Section 7.2 highlights the socio-economic characteristics of the net surplus and deficit households. Section 7.3[87] shows the respondents' use of financial products and level of financial exclusion, while Section 7.4 provides an indication of respondents' financial planning practices and knowledge. Before concluding the chapter, Section 7.5 outlines the respondents' opinions and understanding of *zakat* and *awqaf*.

7.2 SOCIO-ECONOMIC CHARACTERISTICS

Table 7.1 highlights responses from respondents, when open-ended questions related to their socio-economic background were posed. Here, with regards to the similarities of the two groups, the variables age and number of individuals living in the household appear to be relatively close. Although the oldest net deficit respondent was aged 83, as compared to net surplus respondent (aged 69), the median and mean age of the two groupings is between 43 and 46 years old, with standard deviations of around 11 to 14

[87] Note that from Section 7.3 onwards, unless stated otherwise, the descriptive analysis that is discussed generally pertains to variables that are statistically significant, as determined by Pearson's Chi-Square test.

years. Between the two groups, the total number of individuals living in the household is also generally close, denoted by the closeness of the mean and median values, which differs by only 1 unit.

In terms of differences, the number of years spent in formal education is distinctively higher for net surplus respondents (Mean: 12.7, Median: 12) than net deficit respondents (Mean: 7.7, Median: 8). Differences are also evident in the monthly earnings of both respondent and spouse, whereby the net surplus group possess higher earnings (Mean: BND3,789.21, Median: BND3,000) than the net deficit (Mean: BND425.35, Median: BND300). There is also a relative difference in the number of working individuals in the household, with net surplus households more likely to have an additional person working than net deficit households, as indicated by the respective medians.

Perhaps the most striking figure here is the variation of wealth held by both groups of respondents. For instance, the median[88] of net deficit respondents with a bank account is BND50 while for net surplus respondents, it is BND4,500. For investment products, particularly fixed deposits, TAP accounts[89], mutual funds, bonds, stocks and life insurance[90], the median for net deficit respondents is zero while, for net surplus respondents, it is BND7,000. Where properties[91] and business equity are concerned, the difference between the two groups is five-fold. Here, the median is BND19,500 and BND101,000 for net deficit and surplus respondents respectively. Similar patterns are noted in the amount of debt held, indicating a median net worth[92] of BND11,000 for net deficit respondents and BND93,864 for net surplus respondents.

[88] The median is highlighted here, instead of the mean, due to the large differences between the two figures indicating the likely existence of outliers.
[89] TAP is short for Tabung Amanah Pekerja, an employee provident fund created by the Brunei government to assist saving for retirement.
[90] Life insurance is included in the computation, as more often than not, a proportion of premiums are diverted to investment vehicles such as mutual funds.
[91] Properties include primary residences, other residences and non-residential properties such as farmland and commercial properties.
[92] Net worth is the cumulative figure of total amounts in bank accounts, investments, properties and business equity computed against total debt.

Table 7.1 Socio-Economic Characteristics of Net Surplus and Net Deficit Respondents (Open-Ended Reponses)

Variable		N*	Min.	Max.	Mean	Median	Standard Deviation
(a) Age	Net Surplus	216	22	69	43.51	44	11.327
	Net Deficit	215	21	83	46.41	43	13.910
(b) Years in Formal Education	Net Surplus	206	1	21	12.65	12	3.537
	Net Deficit	214	0	17	7.70	8	3.071
(c) No. of Individuals Living in Household	Net Surplus	215	1	20	6.44	6	3.012
	Net Deficit	215	2	20	7.60	7	3.596
(d) No. of Working Individuals	Net Surplus	215	0	9	2.68	2	1.583
	Net Deficit	215	0	8	1.43	1	1.385
(e) Total Monthly Earnings**	Net Surplus	214	250	30,000	3,789.21	3,000	3,145.37
	Net Deficit	211	0	4,562	425.35	300	472.48

Variable		N*	Min.	Max.	Mean	Median	Standard Deviation
(f) Total Amount in Bank Accounts	Net Surplus	195	50	128,000	10,054.70	4,500	16,661.80
	Net Deficit	214	50	11,000	541.47	50	1,322.98
(g) Total Amount of Investments	Net Surplus	185	0	375,000	23,681.94	7,000	43,467.96
	Net Deficit	200	0	25,000	1,857.57	0	4,263.15
(h) Total Amount of Property/Equity	Net Surplus	207	0	4,734,000	189,968.64	101,000	390,932.90
	Net Deficit	210	0	223,000	38,877.67	19,500	48,358.95
(i) Total Amount of Debt	Net Surplus	202	0	464,000	54,787.49	30,000	75,668.92
	Net Deficit	202	0	144,600	16,059.65	3,750	24,426.53
(j) Net Worth	Net Surplus	161	-75,500	1,868,000	159,486.86	93,864	262,831.36
	Net Deficit	189	-59,450	212,420	26,693.89	11,000	45,934.04

Note: * Denotes the number of valid responses.
**Refers to earnings of both respondent and spouse, where applicable.

Table 7.2 Socio-Economic Characteristics of Net Surplus and Net Deficit Respondents (Close-Ended Reponses)

(a) Gender	**Net Surplus**		**Net Deficit**		**Total**	
Male	177	(82%)	147	(68%)	324	(75%)
Female	39	(18%)	68	(32%)	107	(25%)
Total	216	(100%)	215	(100%)	431	(100%)
(b) Marital Status						
Single	21	(10%)	2	(1%)	23	(5%)
Married	186	(86%)	162	(75%)	348	(81%)
Divorced	4	(2%)	22	(10%)	26	(6%)
Widowed	5	(2%)	29	(14%)	34	(8%)
Total	216	(100%)	215	(100%)	431	(100%)
(c) Source of Earnings[1]						
Salary	175	(81%)	70	(33%)	245	(57%)
Business Income	27	(13%)	23	(11%)	50	(12%)
Rental Income	10	(5%)	0	(0%)	10	(2%)
Agriculture/Fisheries	2	(1%)	17	(8%)	19	(4%)
Financial Assistance[2]	0	(0%)	215	(100%)	215	(50%)
Others	41	(19%)	69	(32%)	110	(26%)
(d) Employment Status						
Government	141	(65%)	36	(17%)	177	(41%)
Private Company	32	(15%)	34	(16%)	66	(15%)
Self-Employed	6	(3%)	19	(9%)	25	(6%)
Agriculture/Fisheries	0	(0%)	12	(6%)	12	(3%)
Actively Looking For Work	0	(0%)	16	(7%)	16	(4%)
Student	2	(1%)	0	(0%)	2	(1%)
Retired	32	(15%)	53	(25%)	85	(20%)
Housewife	3	(1%)	30	(14%)	33	(8%)
Others	0	(0%)	15	(7%)	15	(4%)
Total	216	(100%)	215	(100%)	431	(100%)
(e) Housing Ownership						
Privately Owned	146	(68%)	124	(58%)	270	(63%)
Family Members	33	(15%)	73	(34%)	106	(25%)
Rental (Private Landlord)	8	(4%)	7	(3%)	15	(3%)
Rental (Govt - Occupation)[3]	29	(13%)	4	(2%)	33	(8%)
Rental (Govt - Others)	0	(0%)	4	(2%)	4	(1%)
Others	0	(0%)	3	(1%)	3	(1%)
Total	216	(100%)	215	(100%)	431	(100%)

Note: [1] The figures and percentages are not cumulative, as respondents may have more than one source of earnings (n = 431, net surplus = 216, net deficit = 215).
[2] Refers to financial assistance received from government or private sources.
[3] Refers to rental properties owned by the government and rented to respondents due to their occupation.

Table 7.2 shows the socio-economic background of the two groups, where close-ended responses are concerned. One of the few similarities between the two cohorts is found in the ‘gender’ and ‘marital status’ variable. With regards to marital status, respondents in both groups are mostly married (net surplus: 86 percent, net deficit: 75

percent), while in terms of gender, the higher proportion of respondents within both groups are male (net surplus: 82 percent, net deficit: 68 percent). However, it should be noted that in the net deficit group, there are 14 percent more female respondents. This can be partly explained by the higher figure of female respondents who are widowed and divorced[93]. In other words, there are more females in the net deficit group, who are either divorced or widowed, than in the net surplus group.

In terms of sources of earnings, two sources are worth noting. Firstly, all net deficit respondents are receiving financial assistance, be it from government or private sources. Secondly, there are more net surplus respondents who are earning salaries (81 percent) than net deficit respondents (33 percent). For the net deficit group, the lack of a salary as a source of earnings is not surprising considering that only around 33 percent of them are working in the government and private sector, as shown in Table 7.2(d). The next highest proportion of net deficit respondents is the retired (25 percent), followed by housewives (14 percent), self-employed individuals (9 percent) and those actively looking for work (7 percent).

With respect to primary residence, it is found that within both groups, a large percentage of respondents live in a privately owned residence (net surplus: 68 percent, net deficit: 58 percent). However, a notable difference is that there is at least twice the number of net deficit respondents who are living with other family members such as parents, siblings, or relatives (34 percent), compared to net surplus respondents (15 percent).

To summarise both the continuous and categorical variables together, one may state that the net surplus respondents are generally male, married, residing in privately owned properties and possess a median age around the mid-forties. For the majority, they earn salaries mostly from working in the government, after having spent about 12 years in formal education. Meanwhile, the net deficit group are largely married male respondents, though there are also a size-able percentage of females who are either divorced or widowed. Only a third earns a salary, being employed in the government or private sector, while all receive some form of financial assistance.

[93] Out of the 51 net deficit respondents who are either divorced or widowed, as shown in table 7.2(b), 47 are female in contrast to 4 males. The table indicating these figures can be found in Appendix IV.

They are likely to have spent 4 years less in formal education, compared to net surplus respondents, and have a median age of 43.

7.3 FINANCIAL PRODUCTS AND SERVICES

7.3.1 Usage of Financial Products and Services

The diverse range of financial products used by respondents is categorised into four main types: bank accounts, credit facilities, insurance/*takaful* products and investment products. Table 7.3 shows the use of savings or current accounts by respondents, whereby within both groups, all respondents are noted to have a bank account[94]. It is not surprising here that all net deficit respondents have a bank account since welfare recipients, such as *zakat* recipients, are required to open a bank account to receive their periodic financial assistance.

Table 7.3 Usage of Bank Accounts

	Uses Bank Account	No Bank Account	Total	Chi-Square (χ^2)[95]
Net Surplus	204 (100%)	0 (0%)	204 (100%)	χ^2: N/A
Net Deficit	215 (100%)	0 (0%)	215 (100%)	Degree of freedom(df):N/A
Total	419 (100%)	0 (0%)	419 (100%)	p-value: N/A

In terms of financing and loans shown in Table 7.4, there is a distinct difference between the two groups, with the majority of net surplus respondents more likely to have at least one credit facility than net deficit respondents. Here, the type of credit refers to usage of personal financing, home financing, motor vehicle financing, credit cards, education financing, computer financing and *ar-Rahnu*.

Similar trends are found in Tables 7.5 and 7.6, with regards to insurance/*takaful* and investment products respectively. Table 7.5 shows the usage of a personal accident,

[94] Since all respondents have a bank account, the chi-square test is not applicable.
[95] No chi-square results or measures of association are computed, as at least one of the variables is a constant.

home or life insurance/*takaful* while Table 7.6 indicates usage of fixed deposits, mutual funds, bonds or shares.

Table 7.4 Usage of Credit Facility

	Uses Credit Facility	No Credit Facility	Total	Chi-Square
Net Surplus	183 (85%)	33 (15%)	216 (100%)	χ^2: 32.949
Net Deficit	129 (60%)	86 (40%)	215 (100%)	df = 1
Total	312 (72%)	119 (28%)	431 (100%)	$p < .001$

Table 7.5 Usage of Insurance/*Takaful* Products

	Uses Insurance/ *Takaful*	No Insurance/ *Takaful*	Total	Chi-Square
Net Surplus	116 (54%)	100 (46%)	216 (100%)	χ^2: 73.993
Net Deficit	31 (14%)	184 (86%)	215 (100%)	df = 1
Total	147 (34%)	284 (66%)	431 (100%)	$p < .001$

Table 7.6 Usage of Investment Products[96]

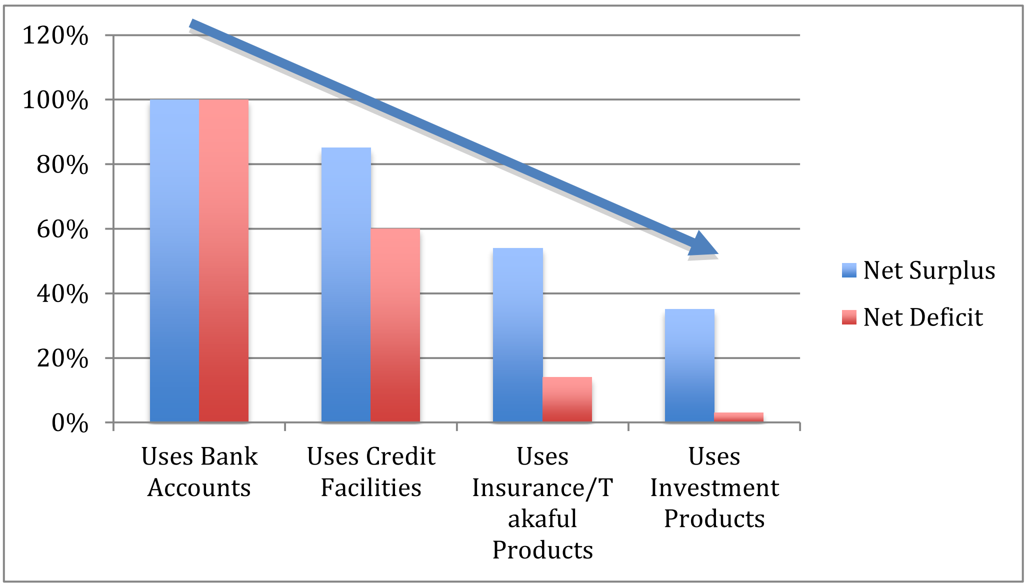
	Has Investments	No Investments	Total	Chi-Square
Net Surplus	75 (35%)	141 (65%)	216 (100%)	χ^2: 71.987
Net Deficit	6 (3%)	209 (97%)	215 (100%)	df = 1
Total	81 (19%)	350 (81%)	431 (100%)	$p < .001$

One may also notice that for both groups of respondents, there is a notable pattern of non-usage of financial products, as one observes the figures of those who uses the

[96] It should be noted that TAP and life insurance are excluded from the analysis. The former is excluded as this employee provident fund is compulsory for all employees in the government and private sector, which would distort the analysis. Life insurance is excluded, as it is already included in the analysis related to Table 7.5.

respective financial products from bank accounts to credit facility, to insurance/*takaful* products and finally to investment products. This non-usage or notable decline in the use of financial products is illustrated in Figure 7.1.

Figure 7.1 Decline in Usage of Financial Products



7.3.2 Financial Exclusion

To assess financial exclusion, two main questions were posed to respondents:

1. Have you ever applied for any of these financial products/services, but were not successful in your application?
2. Have you ever **considered** applying for any of these financial products/services but **decided not to**, due to the high costs or difficulty in meeting the bank's requirements?

In terms of the financial products, sixteen financial products were presented to the respondents and categorised into bank accounts, credit facilities, insurance/*takaful* products and investment products. Responses to the questions are shown in Tables 7.7 - 7.10.

From the responses, three main points are worth noting.

Firstly, between the two questions, a relatively higher proportion of financial exclusion is found via question 2. In other words, there is a higher proportion of respondents who had considered applying for a particular financial product but decided not to (voluntary exclusion), as opposed to those who applied and were unsuccessful (involuntary exclusion). For instance, in Table 7.8, 19 percent of net deficit respondents had considered applying for a personal loan or financing but decided not to, while only 8 percent of the same group actually attempted to apply. A similar trend is evident in Table 7.9, with regards to all three types of insurance/*takaful*.

Secondly, it is expected that net deficit respondents are more likely to be financially excluded than net surplus respondents. For instance, as shown in Table 7.8, when answering question 2 for motor vehicle loan/financing, 9 percent of net deficit respondents were voluntarily excluded from accessing the financial product, versus 3 percent of net surplus respondents. This trend is generally found in three main categories, that is bank accounts, credit facilities and insurance/*takaful* products. However, when it comes to investment products, the reverse is noted. For instance, 8 percent of net surplus respondents considered applying for shares, compared to 2 percent of net deficit respondents. These differences noted in investment products, as compared to the other financial products, could be attributed to the net surplus respondents' knowledge of these relatively complex financial products and/or availability of funds, whereas net deficit respondents, who are more likely to have pressing needs, are more likely to need products that suit those needs.

Thirdly, net deficit respondents face a high level of exclusion from credit facilities and to a certain extent, insurance/*takaful* products. For instance, for net deficit respondents, the top five financial products with the highest percentage of financial exclusion[97] are:

- Personal loan/financing (19 percent)
- Home financing/mortgage (12 percent)
- Life insurance/*takaful* (12 percent)
- Home insurance/*takaful* (10 percent)

[97] It should be noted that the percentages, where both groups of respondents are concerned, refer to voluntary exclusion. Further, the listed financial products include those that are <u>not</u> statistically significant.

- Motor vehicle loan/financing (9 percent)

Meanwhile, for net surplus respondents, they are:

- Home financing/mortgage (10 percent)
- Fixed deposits (9 percent)
- Life insurance/*takaful* (9 percent)
- Shares (8 percent)
- Credit card (7 percent)

Table 7.7 Financial Exclusion - Bank Accounts

Type		Never applied /never rejected	Rejected application	Total	Never considered/ decided against applying	Considered but decided not to apply	Total
Savings Account	Net Surplus	211 (98%)	5 (2%)	216 (100%)	215 (99.5%)	1 (0.5%)	216 (100%)
	Net Deficit	209 (97%)	6 (3%)	215 (100%)	202 (94%)	13 (6%)	215 (100%)
	Chi-Square	χ^2 (1) = .098, p > .05			χ^2 (1) = 10.689, p < .05		
Current Account	Net Surplus	214 (99%)	2 (1%)	216 (100%)	215 (99.5%)	1 (0.5%)	216 (100%)
	Net Deficit	214 (99.5%)	1 (0.5%)	215 (100%)	210 (98%)	5 (2%)	215 (100%)
	Fisher's Exact Test[98]	p > .05			p > .05		

98 Pearson's Chi-Square cannot be used, as the assumption that the expected frequency should be greater than 5 is violated. Fisher's Exact Test is instead used as a substitute as suggested in Field (2009).

Table 7.8 Financial Exclusion - Credit Facility

Type		Never applied /never rejected	Rejected application	Total	Never considered/ decided against applying	Considered but decided not to apply	Total
Personal Loan/ Financing	Net Surplus	208 (96%)	8 (4%)	216 (100%)	201 (93%)	15 (7%)	216 (100%)
	Net Deficit	197 (92%)	17 (8%)	214 (100%)	172 (81%)	40 (19%)	212 (100%)
	Chi-Square	$\chi^2(1) = 3.530$, $p < .10$			$\chi^2(1) = 13.582$, $p < .001$		
Home Financing/ Mortgage	Net Surplus	211 (98%)	5 (2%)	216 (100%)	194 (90%)	22 (10%)	216 (100%)
	Net Deficit	204 (95%)	10 (5%)	214 (100%)	187 (88%)	25 (12%)	212 (100%)
	Chi-Square	$\chi^2(1) = 1.775$, $p > .05$			$\chi^2(1) = 0.283$, $p > .05$		
Motor Vehicle Loan/ Financing	Net Surplus	211 (98%)	5 (2%)	216 (100%)	210 (97%)	6 (3%)	216 (100%)
	Net Deficit	205 (96%)	9 (4%)	214 (100%)	192 (91%)	20 (9%)	212 (100%)
	Chi-Square	$\chi^2(1) = 1.220$, $p > .05$			$\chi^2(1) = 8.308$, $p < .05$		
Credit Cards	Net Surplus	214	2	216	200	16	216

Type		Never applied /never rejected	Rejected application	Total	Never considered/ decided against applying	Considered but decided not to apply	Total
		(99%)	(1%)	(100%)	(93%)	(7%)	(100%)
	Net Deficit	210	4	214	197	15	212
		(98%)	(2%)	(100%)	(93%)	(7%)	(100%)
	Fisher's Exact Test	$p > .05$			-		
	Chi-Square	-			$\chi^2(1) = .018$, $p > .05$		
Education Loan/ Financing	Net Surplus	214	2	216	211	5	216
		(99%)	(1%)	(100%)	(98%)	(2%)	(100%)
	Net Deficit	212	2	214	203	9	212
		(99%)	(1%)	(100%)	(96%)	(4%)	(100%)
	Fisher's Exact Test	$p > .05$			-		
	Chi-Square	-			$\chi^2(1) = 1.260$, $p > .05$		
Computer Loan/ Financing	Net Surplus	215	1	216	213	3	216
		(99.5%)	(0.5%)	(100%)	(99%)	(1%)	(100%)
	Net Deficit	210	4	214	202	10	212
		(98%)	(2%)	(100%)	(95%)	(5%)	(100%)
	Fisher's Exact Test	$p > .05$			-		

Type		Never applied /never rejected	Rejected application	Total	Never considered/ decided against applying	Considered but decided not to apply	Total
	Chi-Square		-			χ^2 (1) = 4.024, p < .05	
Pawn Broking /Ar Rahnu	Net Surplus	216 (100%)	0 (0%)	216 (100%)	213 (99%)	3 (1%)	216 (100%)
	Net Deficit	213 (99.5%)	1 (0.5%)	214 (100%)	209 (99%)	3 (1%)	212 (100%)
	Fisher's Exact Test		p > .05			p > .05	

Table 7.9 Financial Exclusion - Insurance/*Takaful* Products

Type		Never applied /never rejected	Rejected application	Total	Never considered/ decided against applying	Considered but decided not to apply	Total
Life Insurance/ *Takaful*	Net Surplus	214 (99%)	2 (1%)	216 (100%)	197 (91%)	19 (9%)	216 (100%)
	Net Deficit	205 (95%)	10 (5%)	215 (100%)	190 (88%)	25 (12%)	215 (100%)
	Chi-Square	$\chi^2(1) = 5.524$, $p < .05$			$\chi^2(1) = .942$, $p > .05$		
Home Insurance/ *Takaful*	Net Surplus	210 (97%)	6 (3%)	216 (100%)	201 (93%)	15 (7%)	216 (100%)
	Net Deficit	209 (97%)	6 (3%)	215 (100%)	193 (90%)	22 (10%)	215 (100%)
	Chi-Square	$\chi^2(1) = 0.000$, $p > .05$			$\chi^2(1) = 1.484$, $p > .05$		
Personal Accident or Disability Insurance/ *Takaful*	Net Surplus	215 (99.5%)	1 (0.5%)	216 (100%)	201 (93%)	15 (7%)	216 (100%)
	Net Deficit	212 (99%)	3 (1%)	215 (100%)	202 (94%)	13 (6%)	215 (100%)
	Fisher's Exact Test	$p > .05$			-		
	Chi-Square	-			$\chi^2(1) = .143$, $p > .05$		

Type		Never applied /never rejected	Rejected application	Total	Never considered/ decided against applying	Considered but decided not to apply	Total

Table 7.10 Financial Exclusion - Investment Products

Type		Never applied /never rejected	Rejected application	Total	Never considered/ decided against applying	Considered but decided not to apply	Total
Fixed Deposit	Net Surplus	214 (99%)	2 (1%)	216 (100%)	197 (91%)	19 (9%)	216 (100%)
	Net Deficit	215 (100%)	0 (0%)	215 (100%)	202 (94%)	13 (6%)	215 (100%)
	Fisher's Exact Test	$p > .05$			-		
	Chi-Square	-			$\chi^2(1) = 1.185$, $p > .05$		
Mutual Funds	Net Surplus	211 (98%)	5 (2%)	216 (100%)	203 (94%)	13 (6%)	216 (100%)
	Net Deficit	215 (100%)	0 (0%)	215 (100%)	211 (98%)	4 (2%)	215 (100%)
	Fisher's Exact Test	$p < .10$			-		

Type		Never applied /never rejected	Rejected application	Total	Never considered/ decided against applying	Considered but decided not to apply	Total
	Chi-Square		-			$\chi^2(1) = 4.917$, $p < .05$	
Bonds	Net Surplus	214 (99%)	2 (1%)	216 (100%)	205 (95%)	11 (5%)	216 (100%)
	Net Deficit	215 (100%)	0 (0%)	215 (100%)	213 (99%)	2 (1%)	215 (100%)
	Fisher's Exact Test		$p > .05$			-	
	Chi-Square		-			$\chi^2(1) = 6.382$, $p < .05$	
Shares	Net Surplus	210 (97%)	6 (3%)	216 (100%)	199 (92%)	17 (8%)	216 (100%)
	Net Deficit	215 (100%)	0 (0%)	215 (100%)	211 (98%)	4 (2%)	215 (100%)
	Fisher's Exact Test		$p < .05$			-	
	Chi-Square		-			$\chi^2(1) = 8.397$, $p < .05$	

7.4 FINANCIAL PLANNING

7.4.1 Money Management Practices

Managing one's earnings from the onset is generally the first step towards achieving one's financial goals, at the very least by ensuring sufficient income offsets one's expenses. Tables 7.11-7.13 relate to three questions on budgeting, firstly inquiring if respondents compare their monthly income balance against expenses (Table 7.11), if they use a written budget to do so (Table 7.12) and finally, if they use a written budget to compare planned cash flow with actual cash flow (Table 7.13).

A pattern appears to emerge when comparing net surplus vis-à-vis net deficit respondents. In general, there is a higher percentage of net deficit respondents who never or rarely manage their personal finances by comparing income against expenses, be it by using a written budget or otherwise, as well as comparing planned against actual cash flow. For instance, Table 7.11 shows that a third of net deficit respondents never, or rarely, compare their monthly income against expenses, compared to 10 percent of net surplus respondents.

Conversely, there is a higher percentage of net surplus respondents who state they sometimes, almost every time or every time would manage their finances in the respective manners. An example is shown in Table 7.11, where there is at least twice the number of net surplus respondents (32 percent) who, almost every time, would compare their monthly income against expenses, in contrast to net deficit respondents (14 percent). Note that the χ^2 test results indicate that the two groups of respondents are significantly different from each other.

The difference between the two groups is also evident when average scores[99] of their money management practices are compared, which are summarised further in Table 7.14. Here, net surplus respondents score an average of 3.3 (out of 5), compared to 2.7 by net deficit respondents. Therefore, taken as a whole, net surplus respondents are more likely to manage their short-term finances than net deficit respondents, be it using a written budget or otherwise.

[99] The average scores are computed by giving each response variable a particular score. For instance, 'Never' is given a score of 1, 'Rarely' a score of 2 and so on. These scores are then multiplied with the raw data, added together and the average computed accordingly.

Table 7.11 Frequency - Comparison of Monthly Income against Expenses

	I compare my monthly income against my monthly expenses						
	Never	Rarely	Sometimes	Almost every time	Every time	Total	Average
Net Surplus	10 (5%)	10 (5%)	65 (30%)	68 (32%)	63 (29%)	216 (100%)	3.8
Net Deficit	46 (21%)	25 (12%)	51 (24%)	31 (14%)	62 (29%)	215 (100%)	3.2
Total	56 (13%)	35 (8%)	116 (27%)	99 (23%)	125 (29%)	431 (100%)	3.5
Chi-Square	$\chi^2(4) = 45.095$, $p < .001$						

Table 7.12 Frequency - Comparison of Monthly Income against Expenses, using Written Budget

	I use a written budget to compare my monthly income against monthly expenses						
	Never	Rarely	Sometimes	Almost every time	Every time	Total	Average
Net Surplus	33 (15%)	41 (19%)	61 (28%)	41 (19%)	40 (19%)	216 (100%)	3.1
Net Deficit	81 (38%)	32 (15%)	49 (23%)	24 (11%)	29 (13%)	215 (100%)	2.5
Total	114 (26%)	73 (17%)	110 (26%)	65 (15%)	69 (16%)	431 (100%)	2.8
Chi-Square	$\chi^2(4) = 28.827$, $p < .001$						

Table 7.13 Frequency - Comparison of Planned against Actual Cash Flow, using Written Budget

	I use a written budget to compare planned cash flow against actual cash flow						
	Never	Rarely	Sometimes	Almost every time	Every time	Total	Average
Net Surplus	47	35	55	49	30	216	2.9
	(22%)	(16%)	(25%)	(23%)	(14%)	(100%)	
Net Deficit	83	50	37	24	21	215	2.3
	(39%)	(23%)	(17%)	(11%)	(10%)	(100%)	
Total	130	85	92	73	51	431	2.6
	(30%)	(20%)	(21%)	(17%)	(12%)	(100%)	
Chi-Square	$\chi^2(4) = 26.286$, $p < .001$						

Table 7.14 Money Management Practices - Average Scores

	Net Surplus	Net Deficit
I compare my monthly income against my monthly expenses	3.8	3.2
I use a written budget to compare my monthly income against monthly expenses	3.1	2.5
I use a written budget to compare planned cash flow against actual cash flow	2.9	2.3
Total	9.8	8
Average	3.3	2.7

7.4.2 Saving Motives

Another basic step towards establishing a sound financial habit is to save regularly. Table 7.15 highlights responses to the question, ‘Do you save on a regular basis?’

Table 7.15 Regularity of Saving

	Do you save on a regular basis?				
	Yes	No, but I save whenever I can	No, I don’t/ can’t save	Total	Chi-Square
Net Surplus	107 (50%)	85 (39%)	24 (11%)	216 (100%)	$\chi^2 =$ 119.352
Net Deficit	23 (11%)	72 (33%)	120 (56%)	215 (100%)	df = 2
Total	130 (30%)	157 (36%)	144 (33%)	431 (100%)	$p < .001$

As the table shows, with regards to net surplus respondents, about half of the respondents state that they do save on a regular basis while more than a third noted that while they do not save regularly, they do save whenever possible. 11 percent of net surplus respondents highlight that they cannot or do not save.

With respect to the net deficit respondents, the reverse is true. Over half of net deficit respondents cannot or do not save, around a third save whenever they can and 11 percent indicate that they save regularly.

All in all, 287 respondents (66 percent) from both net surplus and net deficit households either save regularly or save whenever they can. These respondents were further questioned about their reasons to save, after which their responses were coded and grouped into several categories, as shown in Table 7.16. It is important to note that respondents may select more than one reason to save, hence the variation in the total figure shown in the table. For instance, the highest reason to save is for emergencies, whereby 92 percent of those who stated they save regularly or whenever they can, saved for such sudden events should they arise. Saving for emergencies is also the highest scoring reason when respondents are broken down into net surplus and deficit groupings. Here, out of those who saved, 96 percent of net surplus respondents, and 83 percent of net deficit respondents stated one of their reasons to save was for emergencies.

Another common reason to save is for the respondents' children/grandchildren, notably with regard to their education. Here, more than two-thirds of both groups of respondents saved for their children or grandchildren's future.

Table 7.16 Reasons for Savings (n = 287)

	Daily/ Living Expenses	Emergency/ Risk Mitigation	Buy things when needed/wanted	Purchase – Goods/Services	Purchase - Assets
Net Surplus	128 (67%)	185 (96%)	105 (55%)	128 (67%)	145 (76%)
Net Deficit	59 (62%)	79 (83%)	44 (46%)	38 (40%)	43 (45%)
Total	187 (65%)	264 (92%)	149 (52%)	166 (58%)	188 (66%)
Chi-Square:					
χ^2	.582	15.013	1.784	18.533	25.750
df	1	1	1	1	1
p-value	> .05	< .001	> .05	< .001	< .001

Table 7.16 Reasons for Savings (Cont.)

	Children/ Grandchildren	Charity/Religious donation	Retirement	Miscellaneous
Net Surplus	135 (70%)	89 (46%)	135 (70%)	12 (6%)
Net Deficit	66 (70%)	29 (31%)	35 (37%)	4 (4%)
Total	201 (70%)	118 (41%)	170 (59%)	16 (6%)
Chi-Square:				
χ^2	.021	6.576	29.484	.502
df	1	1	1	1
p-value	> .05	< .05	< .001	> .05

The importance of these two saving motives is also evident when respondents were asked to rank their top three reasons for savings. The ranked responses are summarised into weighted scores[100], as shown in Table 7.17.

Table 7.17 Weighted Scores of Ranked Saving Motives

No.	Net Surplus	Score	Net Deficit	Score
1.	Emergencies/Unexpected needs	2.06	Children's/Grandchildren's Education	2.52
2.	Children's/Grandchildren's Education	1.69	Emergencies/Unexpected needs	1.79
3.	Retirement/Old Age	1.47	Ordinary living expenses/bills	1.41
4.	Liquidity	1.07	Buy things when needed/wanted	0.59
5.	Ordinary living expenses/bills	1.04	Retirement/Old Age	0.54
6.	Buy own house	0.88	Liquidity	0.52
7.	Reserves in case of unemployment	0.53	Buy own house	0.43
8.	Buy things when needed/wanted	0.38	Reserves in case of unemployment	0.30
9.	Charitable/religious contribution	0.28	Own/Spouse's education	0.27
10.	Home improvement/repairs	0.25	Buy durable goods	0.27
11.	Buy car or other vehicle	0.18	Home improvement/repairs	0.20
12.	Own/Spouse's education	0.16	Buy car or other vehicle	0.20
13.	Meeting contractual commitments	0.16	Others	0.14
14.	Buy (invest) own business/farm	0.10	Charitable/religious contribution	0.11
15.	To travel/take vacations	0.09	Meeting contractual commitments	0.11
16.	Buy durable goods	0.08	Buy hobby items	0.11
17.	Others	0.06	To travel/take vacations	0.04
18.	To get married	0.04	Buy (invest) own business/farm	0.00
19.	Buy hobby items	0.01	To get married	0.00

[100] For each saving motive, a score of 3 is given if the saving motive was ranked number 1, a score of 2 for rank number 2 and a score of 1 for rank number 3. The weighted scores are computed by utilising the SUMPRODUCT function in Excel and dividing the respective scores by the highest possible score, before multiplying by 3.

Table 7.17 clearly highlights the importance of saving for emergencies and children's/grandchildren's education for both groups of respondents, although the emphasis on saving for children's/grandchildren's education is distinctly higher for net deficit respondents.

For net surplus respondents, three other saving motives are found to have a score higher than 1, these being saving for ordinary living expenses, liquidity and retirement. Interestingly, these three saving motives may reflect the capacity or priorities set by net surplus respondents to save for short-term/survival needs, for emergencies and for long-term needs respectively. Meanwhile, for net deficit respondents, saving for ordinary living expenses is the only other saving motive with a score higher than 1, reflecting the considerable importance of this saving motive for net deficit respondents.

7.4.3 Emergency Planning

Where emergency planning is concerned, one of the relatively simple tools which can help to prepare for unexpected needs is to set aside emergency funds. Table 7.18 highlights responses to the statement, 'I keep some money aside for emergencies'. As shown, net surplus respondents are more likely to keep some funds as a buffer, than net deficit respondents. For instance, 38 percent of net surplus respondents stated they keep some money for emergencies every time, as compared to 16 percent of net deficit respondents. Additionally, about a quarter of net deficit respondents never kept money aside for emergencies, compared to only 2 percent of net surplus respondents. The practice of setting aside funds for emergencies is also noted by the relatively higher average score[101] of net surplus respondents.

[101] The average scores are computed by giving each response variable a particular score. For instance, 'Never' is given a score of 1, 'Rarely' a score of 2 and so on. The figures are then multiplied with the raw data, added together and the average computed accordingly.

Table 7.18 Money Set Aside for Emergencies

	I keep some money aside for emergencies						
	Never	Rarely	Some times	Almost every time	Every time	Total	Average
Net Surplus	5 (2%)	22 (10%)	48 (22%)	59 (27%)	82 (38%)	216 (100%)	3.9
Net Deficit	56 (26%)	31 (14%)	58 (27%)	35 (16%)	35 (16%)	215 (100%)	2.8
Total	61 (14%)	53 (12%)	106 (25%)	94 (22%)	117 (27%)	431 (100%)	3.4
Chi-Square	$\chi^2\,(4) = 70.117$, $p < .001$						

Another tool to utilise in emergency planning is to purchase insurance or *takaful* policies. As the figures indicate, similar to emergency funds, net surplus respondents are more likely to have some form of insurance or *takaful* policy to assist them during emergencies. However, it should be noted that one could contend that the 28 percent figure for net surplus respondents is surprisingly low. This is especially true, when the figure is compared against Table 7.5 where respondents' answers about the usage of insurance or *takaful* products are shown. In that instance, 54 percent of net surplus respondents noted they use either a life, home or personal accident insurance/*takaful*. One possible explanation is that it may well be that the respondents who have these policies do not consider them as policies for emergencies.

Table 7.19 Usage of Selected Insurance/*Takaful* Policies during Emergencies

	Aside from motor vehicle insurance/*takaful*, do you use other insurance/*takaful* policies to help during emergencies?		
	Yes	No	Total
Net Surplus	61 (28%)	155 (72%)	216 (100%)
Net Deficit	17 (8%)	198 (92%)	215 (100%)
Total	78 (18%)	353 (82%)	431 (100%)
Chi-Square	$\chi^2\,(1) = 30.056$, $p < .001$		

7.4.4 Retirement Planning

In terms of retirement planning, respondents were posed the following question: 'Have you ever gathered together your financial information, reviewed it in detail by yourself or with a planner, and formulated a specific financial plan for your retirement?' The responses noted in Table 7.20 shows that net surplus respondents (43 percent) are more likely to have some form of retirement plan, in comparison to net deficit respondents (20 percent). The chi-square test result indicates that the difference of the responses for the two groups is statistically significant.

Table 7.20 Retirement Planning

	Have you ever gathered together your financial information, reviewed it in detail by yourself or with a planner, and formulated a specific financial plan for your retirement?		
	Yes	No	Total
Net Surplus	93 (43%)	123 (57%)	216 (100%)
Net Deficit	42 (20%)	173 (80%)	215 (100%)
Total	135 (31%)	296 (69%)	431 (100%)
Chi-Square	$\chi^2(1) = 27.710$, $p < .001$		

7.4.5 Knowledge

To gauge the financial planning knowledge of respondents, three scenario-based questions were posed, with each scenario taken as a proxy to money management, emergency planning and long-term planning.

The scenario related to money management involves the concept of inflation, as understanding inflation helps ensure the purchasing power of our savings or funds are not eroded. The question and responses by both groups of respondents are shown below.

<u>Money Management Scenario[102]:</u>

Imagine that the profit rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?

a. After 1 year, I can buy more goods than I can today.

b. After 1 year, I can buy exactly the same amount of goods.

c. After 1 year, I can buy less goods than I can today. [Correct answer]

d. I don't know

Table 7.21 Money Management/Inflation Scenario

	Buy More Goods	Buy Same Amount of Goods	Buy Less Goods	I don't know	Total
Net Surplus	22 (10%)	29 (13%)	86 (40%)	79 (37%)	216 (100%)
Net Deficit	25 (12%)	22 (10%)	51 (24%)	117 (54%)	215 (100%)
Total	47 (11%)	51 (12%)	137 (32%)	196 (45%)	431 (100%)
Chi-Square	$\chi^2(3) = 17.459$, $p < .05$				

Table 7.21 shows the correct answer was stated by less than half of net surplus respondents and nearly a quarter of net deficit respondents. In general, respondents were more likely to state that they did not know the answer, as noted by nearly 40 percent of net surplus respondents and over half of net deficit respondents. The remaining 20 percent from each group provided incorrect answers.

The second scenario relates to emergency planning and more specifically to the concept of liquidity, highlighted below.

[102] This scenario is adapted from Lusardi and Mitchell (2006).

Emergency Planning Scenario[103]:

Some people put aside money to take care of unexpected expenses. If Ali and Mariam have money put aside for emergencies, in which of the following forms would it be of **LEAST** benefit to them if they needed it right away?

a. *Invested in a down payment on the house. [Correct answer]*

b. Mutual funds

c. Stocks

d. Savings account

e. I don't know

Table 7.22 Emergency Planning Scenario

	Down Payment on a House	Mutual Funds	Stocks	Savings a/c	I don't know	Total
Net Surplus	51 (24%)	22 (10%)	58 (27%)	19 (9%)	64 (30%)	214 (100%)
Net Deficit	28 (13%)	13 (6%)	42 (20%)	34 (16%)	98 (46%)	215 (100%)
Total	79 (18%)	35 (8%)	100 (23%)	53 (12%)	162 (38%)	429 (100%)
Chi-Square	$\chi^2 (4) = 22.949$, $p < .001$					

Similar to the earlier scenario, a large proportion of respondents from both groups stated their uncertainty towards the posed scenario, with about a third of net surplus and nearly half of net deficit respondents highlighting they do not know. Meanwhile, the correct response was given by 24 percent of the net surplus group and 13 percent of the net deficit respondents. Interestingly, a substantial proportion of respondents noted stocks as their answer, which may indicate some form of past experience with certain forms of stocks, or a lack of knowledge on issues related to down payments.

The last scenario involves long-term planning, notably that of retirement. Although only one scenario was offered to respondents, they were allowed to select more than one answer. Therefore, Tables 7.23-7.26 are shown to reflect their multiple responses.

[103]This scenario is adapted from the 2008 Jump$tart College Questionnaire, highlighted in Mandell (n.d.).

<u>Long-Term/Retirement Planning Scenario:</u>

Aishah who is 25 years old, had just finished planning for her retirement. She has decided to retire when she turns 60. Which statement(s) reflects that Aishah had made a **good** retirement plan? (You may answer more than one)

a. She plans to regularly save some money for retirement. [Correct]

b. She decides to put her entire savings into her savings account, until she turns 60.

c. She should know now, the total amount that she should have, upon reaching 60. [Correct]

d. She has enough time to save for her retirement and should only start saving when she is 55 years old.

e. I don't know

Table 7.23 Retirement Scenario (a. Plans to save regularly)

	Saving regularly for retirement: A good plan?			
	Yes	No	I don't know	Total
Net Surplus	184 (85%)	25 (12%)	7 (3%)	216 (100%)
Net Deficit	127 (59%)	49 (23%)	39 (18%)	215 (100%)
Total	311 (72%)	74 (17%)	46 (11%)	431 (100%)
Chi-Square	$\chi^2\,(2) = 40.489$, $p < .001$			

A majority of net surplus respondents (85 percent) highlighted that saving on a regular basis is a good plan towards retirement. There is also a high proportion of the net deficit respondents who stated as such, but the figures are somewhat lower. Around 60 percent, or less than two thirds of net deficit respondents, agreed that saving regularly is a good plan but nearly a quarter disagreed and eighteen percent were not sure.

Table 7.24 Retirement Scenario (b. Placing entire savings into savings account)

	Place entire savings into savings a/c: A good plan?			
	Yes	No	I don't know	Total
Net Surplus	55 (26%)	152 (70%)	9 (4%)	216 (100%)
Net Deficit	44 (20%)	129 (60%)	42 (20%)	215 (100%)
Total	99 (23%)	281 (65%)	51 (12%)	431 (100%)
Chi-Square	χ^2 (2) = 24.456 , p < .001			

In terms of placing all funds into a savings account, the general responses from both groups are somewhat encouraging, as around two-thirds from both groups noted that placing them into a savings account is a less than ideal solution. One point to note is that a higher number of net deficit respondents (20 percent) were uncertain of the correct response, compared to net surplus respondents (4 percent).

Table 7.25 Retirement Scenario (c. Knowing total amount to achieve upon retirement)

	Knowing total amount to achieve: A good plan?			
	Yes	No	I don't know	Total
Net Surplus	94 (44%)	113 (52%)	9 (4%)	216 (100%)
Net Deficit	55 (26%)	117 (54%)	43 (20%)	215 (100%)
Total	149 (35%)	230 (53%)	52 (12%)	431 (100%)
Chi-Square	χ^2 (2) = 32.506 , p < .001			

A worrying point, highlighted in Table 7.25, is that at least half of the respondents from both groups feel that knowing the total amount to achieve upon retirement does not amount to a good retirement plan. Similar to Tables 7.23 and 7.24, net deficit respondents were more likely to be uncertain of the right response than net surplus respondents.

Table 7.26 highlights that a majority (85 percent) of net surplus respondents and two-thirds of net deficit respondents feel that starting to save at 55 is not an ideal retirement plan. Although this is somewhat comforting, it is worrying that there are over 100 respondents altogether (24 percent in total) who either stated it is a good plan or were not certain of the correct answer.

Table 7.26 Retirement Scenario (d. Start saving at 55 years of age)

	Start saving at 55: A good plan?			
	Yes	No	I don't know	Total
Net Surplus	23 (11%)	184 (85%)	9 (4%)	216 (100%)
Net Deficit	27 (13%)	145 (67%)	43 (20%)	215 (100%)
Total	50 (12%)	329 (76%)	52 (12%)	431 (100%)
Chi-Square	$\chi^2\,(2) = 27.172$, $p < .001$			

Table 7.27 displays the proportion of respondents who answered all three scenarios correctly. Out of 431 respondents, only 9 respondents or 2 percent of the whole sample answered all three scenarios correctly.

Table 7.27 Financial Planning Scenarios: Accuracy of Responses

	All 3 scenarios correctly answered	At least one incorrect answer	Total
Net Surplus	8 (4%)	208 (96%)	216 (100%)
Net Deficit	1 (0.5%)	214 (99.5%)	215 (100%)
Total	9 (2%)	422 (98%)	431 (100%)

7.5 OPINION ON *ZAKAT* AND *AWQAF*

7.5.1 Perceptions and Opinions on *Zakat*

With respect to *zakat*, two types of questions were posed to respondents, in order to gauge respondents' views and understanding of *zakat*. The first question required respondents to identify the types of *zakat* that are commonly known in Brunei. The question was posed as follows:

> In **Brunei**, which of the following is **commonly** associated with the term ***Zakat***? (You may answer more than one)
>
> *a.* *Zakat fitrah*
> b. *Zakat* on mutual funds
> c. *Zakat* on gold
> d. *Zakat* on money kept in a savings account
> e. *Zakat* on TAP account
> f. None of the above
> g. I don't know

Table 7.28 shows the respondents' identification of the five types of *zakat*, at which two main patterns are evident. Firstly, the term '*zakat'* is more commonly associated with historical forms of *zakat,* such as *zakat fitrah* and *zakat* on gold, as compared to contemporary forms of wealth, such as mutual funds and TAP. This is found among both net surplus and net deficit respondents. For instance, in terms of *zakat* fitrah, the percentage of net surplus and deficit respondents who commonly associated *zakat* with *zakat fitrah* lies at 98 percent and 96 percent respectively. In contrast, for *zakat* on TAP, it stands at 12 and 11 percent respectively.

The second pattern, albeit a minor one, is the higher proportion of net surplus respondents who associate the term '*zakat'* with the five forms, compared to net deficit respondents. The most notable and statistically significant is *zakat* on gold where about two-thirds of net surplus respondents note that *zakat* on gold is commonly known in Brunei, relative to less than half of net deficit respondents.

Table 7.28 Common Association of the Term '*Zakat*' (n = 431)

	Which of the following is commonly associated with the term '*Zakat*'?						
	Zakat fitrah	*Zakat* on gold	*Zakat* on money kept in a savings a/c	*Zakat* on mutual funds	*Zakat* on TAP account	None of the above	I don't know
Net Surplus	212 (98%)	148 (68.5%)	97 (45%)	41 (19%)	25 (12%)	1 (0.5%)	1 (0.5%)
Net Deficit	207 (96%)	92 (43%)	70 (33%)	34 (16%)	24 (11%)	2 (1%)	4 (2%)
Total	419 (97%)	240 (56%)	167 (39%)	75 (17%)	49 (11%)	3 (1%)	5 (1%)
Chi-Square:							
χ^2	1.391	28.902	6.924	.752	.018	-	-
df	1	1	1	1	1	-	-
p-value	> .05	< .001	< .05	> .05	> .05	-	-

The second question or set of questions related to *zakat* touched upon the respondents' understanding on whether *zakat* may be given or lent for various purposes such as households needs, business-related purposes and so on. The questions were posed as follows:

1. Can *zakat* be **given** to *zakat* recipients for personal/households needs?
2. Can *zakat* be **lent** to *zakat* recipients for personal/households needs?
3. Can *zakat* be **given** to *zakat* recipients for business-related needs?
4. Can *zakat* be **lent** to *zakat* recipients for business-related needs?
5. Can *zakat* be given to elderly individuals, who need some cash but are not able to work?
6. Can *zakat* be used by *zakat* institutions to pay education fees?
7. Can *zakat* be used by *zakat* institutions to provide *takaful* products, such as disability income insurance/*takaful*?

Tables 7.29-7.35 show responses to the above questions, which essentially gauge the respondents' knowledge of *zakat* disbursement. In the first two tables (Table 7.29 and 7.30)[104], respondents were basically asked whether *zakat* can be either given or lent, to the rightful recipients for their personal/households needs. As shown, the majority of both sets of respondents correctly believed that giving *zakat* to be used for personal needs is acceptable, while lending *zakat* to recipients for the same purpose is not.

Meanwhile, Tables 7.31 and 7.32 highlight responses to the question of whether *zakat* can be either given or lent, for business needs. Similar to personal/households needs, the figures highlight that again, the relative majority correctly thought that *zakat* can be given for business needs, while the reverse is true when it comes to lending. However, the percentages of those who correctly answered these questions are comparatively lower than those who answered correctly in the context of personal/households needs. For instance, only around half of respondents correctly answered that *zakat* can be given for business needs, in contrast to around three quarters, who provided the correct answer when it came to personal/households needs (as shown earlier in Table 7.29).

[104] Among the *zakat*-related questions, these are the only two tables where the differences between the net surplus and net deficit respondents were found not to be statistically significant. In other words, there are no statistical differences between the two groups of respondents.

In both Tables 7.33 and 7.34, which investigates the opinion of respondents regarding the permissibility of *zakat* institutions to give *zakat* to elderly individuals who cannot work, and pay education fees respectively, the majority of respondents appear to respond positively. Interestingly, in both instances, there is a higher proportion of net deficit respondents than net surplus respondents who provided that opinion. For instance, when asked if *zakat* institutions can pay education fees using *zakat*, only 43 percent of net surplus respondents answered ‘Yes’ while for net deficit respondents, 70 percent concurred.

In the last question, indicated in Table 7.35, more often than not, both sets of respondents were generally uncertain as to whether *zakat* can be used by *zakat* institutions to provide *takaful* products, with nearly half of net surplus respondents and over a third of net deficit respondents uncertain about its permissibility.

Table 7.29 Giving *Zakat* for Personal Needs

	Can *zakat* be given for personal needs?				
	Yes	No	Not Sure	Total	Chi-Square
Net Surplus	161 (75%)	30 (14%)	25 (12%)	216 (100%)	$\chi^2 =$ 2.211
Net Deficit	169 (79%)	20 (9%)	26 (12%)	215 (100%)	df = 2
Total	330 (77%)	50 (12%)	51 (12%)	431 (100%)	$p > .05$

Table 7.30 Lending *Zakat* for Personal Needs

	Can *zakat* be lent for personal needs?				
	Yes	No	Not Sure	Total	Chi-Square
Net Surplus	28 (13%)	137 (63%)	51 (24%)	216 (100%)	$\chi^2 =$ 4.388
Net Deficit	44 (20%)	126 (59%)	45 (21%)	215 (100%)	df = 2
Total	72 (17%)	263 (61%)	96 (22%)	431 (100%)	$p > .05$

Table 7.31 Giving *Zakat* for Business-Related Purposes

	Can *zakat* be given for business-related purposes?				
	Yes	No	Not Sure	Total	Chi-Square
Net Surplus	108	48	60	216	$\chi^2 =$
	(50%)	(22%)	(28%)	(100%)	9.883
Net Deficit	124	58	33	215	
	(58%)	(27%)	(15%)	(100%)	df = 2
Total	232	106	93	431	
	(54%)	(25%)	(22%)	(100%)	$p < .05$

Table 7.32 Lending *Zakat* for Business-Related Purposes

	Can *zakat* be lent for business-related purposes?				
	Yes	No	Not Sure	Total	Chi-Square
Net Surplus	46	102	68	216	$\chi^2 =$
	(21%)	(47%)	(31%)	(100%)	9.868
Net Deficit	75	85	55	215	
	(35%)	(40%)	(26%)	(100%)	df = 2
Total	121	187	123	431	
	(28%)	(43%)	(29%)	(100%)	$p < .05$

Table 7.33 Giving *Zakat* to Elderly Individuals

	Can *zakat* be given to elderly individuals, who need some cash but are not able to work?				
	Yes	No	Not Sure	Total	Chi-Square
Net Surplus	182	14	20	216	$\chi^2 =$
	84%	7%	9%	100%	8.218
Net Deficit	200	6	9	215	
	93%	3%	4%	100%	df = 2
Total	382	20	29	431	
	89%	5%	7%	100%	$p < .05$

Table 7.34 Using *Zakat* to pay Education Fees

	Can *zakat* be used by *zakat* institutions to pay education fees?				
	Yes	No	Not Sure	Total	Chi-Square
Net Surplus	93 (43%)	51 (24%)	72 (33%)	216 (100%)	$\chi^2 =$ 32.490
Net Deficit	151 (70%)	25 (12%)	39 (18%)	215 (100%)	df = 2
Total	244 (57%)	76 (18%)	111 (26%)	431 (100%)	$p < .001$

Table 7.35 Using *Zakat* to provide *Takaful* Products

	Can *zakat* be used by *zakat* institutions to provide *takaful* products?				
	Yes	No	Not Sure	Total	Chi-Square
Net Surplus	42 (19%)	75 (35%)	99 (46%)	216 (100%)	$\chi^2 =$ 14.483
Net Deficit	77 (36%)	61 (28%)	77 (36%)	215 (100%)	df = 2
Total	119 (28%)	136 (32%)	176 (41%)	431 (100%)	$p < .05$

Tables 7.36 and 7.37 provide further assistance in gauging respondents' understanding of *zakat*. Table 7.36 represents the average score of accurate responses by net surplus and deficit respondents where, interestingly, net deficit respondents score slightly higher than net surplus respondents.

Table 7.36 Average Score of Correct *Zakat* Responses

	Average Score (0-6)[105]
Net Surplus	3.63
Net Deficit	3.98

[105] Only the average of six questions related to *zakat* is computed, as the seventh question related to *takaful* is omitted. This is undertaken as there are no known rulings or practices that currently utilise *zakat* towards purchasing *takaful* policies.

Table 7.37 highlights the percentage of respondents who answered the first four questions correctly. These four questions, which are denoted as the 'basic' *zakat* questions, and their correct responses are listed below:

1. Can *zakat* be **given** to *zakat* recipients for personal/households needs? *Yes*
2. Can *zakat* be **lent** to *zakat* recipients for personal/households needs? *No*
3. Can *zakat* be **given** to *zakat* recipients for business-related needs? *Yes*
4. Can *zakat* be **lent** to *zakat* recipients for business-related needs? *No*

Table 7.37 Basic *Zakat* Questions Correctly Answered

	All four correctly answered	At least one response incorrect	Total
Net Surplus	43 (20%)	173 (80%)	216 (100%)
Net Deficit	38 (18%)	177 (82%)	215 (100%)
Total	81 (19%)	350 (81%)	431 (100%)

As shown in Table 7.37, for both groups of respondents, only around a fifth answered all four questions correctly, while the remainder answered at least one question incorrectly.

7.5.2 Perceptions and Opinions on *Awqaf*

In this subsection, respondents were asked near-similar questions as those posed in the preceding sub-section on *zakat*. However, there is an additional question eliciting the respondents' opinion on whether *awqaf* can be used to reduce poverty. Table 7.38 shows that 65 percent of net surplus respondents and 79 percent of net deficit respondents either agree or strongly agree that *awqaf* can be used to mitigate poverty. By looking at this table alone, one may assume that *awqaf* in Brunei are used to mitigate poverty.

Table 7.38 Using *Awqaf* against Poverty

	I believe *wakaf* can be used to reduce poverty					Total
	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree	
Net Surplus	10 (5%)	13 (6%)	53 (25%)	75 (35%)	65 (30%)	216 (100%)
Net Deficit	5 (2%)	17 (8%)	23 (11%)	90 (42%)	80 (37%)	215 (100%)
Total	15 (3%)	30 (7%)	76 (18%)	165 (38%)	145 (34%)	431 (100%)
Chi-Square	χ^2 (4) = 16.955 , p < .05					

However, Table 7.39 shows a differing conclusion. Here, respondents were asked what forms of *waqf* are commonly available in Brunei. The question was posed as follows:

> In **Brunei**, which of the following is **commonly** associated with the term '***Wakaf***'? (You may answer more than one)
>
> a. A donated sum to build or maintain a mosque.
> b. Donation of religious books, such as *Yassin*.
> c. Cash endowment
> d. A library built in a rural area, donated by the public.
> e. A shopping mall built using donated funds.
> f. None of the above
> g. I don't know

As Table 7.39 indicates, most respondents associated religious types of *awqaf* as being more common, compared to those of a socio-economic nature. For instance, around 80 percent of all respondents highlighted *waqf* as being commonly associated with building or maintaining mosques, or the donation of religious books such as Yassin. In contrast, around 4 percent denoted the use of donated *waqf* funds to build a shopping mall, and 22 percent equated it with the building of a library in a rural area.

Table 7.39 Common Association of the Term '*Awqaf*' (n = 431)

	Which of the following is commonly associated with the term '*Wakaf*'?						
	Donations to build /maintain a mosque	Donation of religious books	Cash endowment	Library built in a rural area	Shopping mall	None of the above	I don't know
Net Surplus	177 (82%)	185 (86%)	95 (44%)	57 (26%)	7 (3%)	2 (1%)	2 (1%)
Net Deficit	165 (77%)	151 (70%)	111 (52%)	39 (18%)	10 (5%)	5 (2%)	17 (8%)
Total	342 (79%)	336 (78%)	206 (48%)	96 (22%)	17 (4%)	7 (2%)	19 (4%)
Chi-Square:							
χ^2	1.778	14.901	2.525	4.235	.566	-	-
df	1	1	1	1	1	-	-
p-value	> .05	< .001	> .05	< .05	> .05	-	-

Tables 7.40-7.46[106] show responses to seven questions which gauge respondents' opinions of the use of *awqaf* proceeds. These questions are:

1. Can proceeds from *wakaf* be **given** to *wakaf* recipients for personal/households needs?
2. Can proceeds from *wakaf* be **lent** to *wakaf* recipients for personal/households needs?
3. Can proceeds from *wakaf* be **given** to *wakaf* recipients for business-related needs?
4. Can proceeds from *wakaf* be **lent** to *wakaf* recipients for business-related needs?
5. Can proceeds from *wakaf* be given to elderly individuals, who need some cash but are not able to work?
6. Can proceeds from *wakaf* be used by *wakaf* institutions to pay education fees?
7. Can proceeds from *wakaf* be used by *wakaf* institutions to provide *takaful* products, such as disability income insurance/*takaful*?

Table 7.40 shows that over half of the respondents correctly answered that *awqaf* proceeds can be given to *wakaf* recipients for personal/households needs. However, when it came to lending the proceeds, be it for personal/households needs or business-related purposes, Tables 7.41 and 7.43 show that the majority of respondents (around 40 percent) incorrectly answered that proceeds from *awqaf* cannot be lent for either personal or business needs.

In terms of giving *awqaf* proceeds for business-related purposes, respondents from both groups were uncertain of its permissibility, as shown in Table 7.42, where about a third of respondents either answered 'Yes', 'No' or 'Not sure'.

When it came to giving out the proceeds to elderly individuals who cannot work (Table 7.44), or to be used by *waqf* institutions to pay education fees (Table 7.45), responses from both groups were generally similar to their *zakat* responses. In other words, the majority of respondents answered positively for both questions, out of

[106] Out of the seven questions, only Tables 7.44 – 7.46 are known to be statistically significant, that is the differences between the two groups are statistically significant. The findings are thus discussed to reflect these statistical differences, where applicable.

which a higher proportion of net deficit respondents were positive, compared to net surplus respondents.

With regard to using *awqaf* proceeds to provide *takaful* products, similar to the *zakat* response, respondents in both groups were largely unsure of its permissibility, as shown in Table 7.46.

Table 7.40 Giving Proceeds from *Awqaf* for Personal Needs

	Can proceeds from *wakaf* be given for personal needs?				
	Yes	No	Not Sure	Total	Chi-Square
Net Surplus	112 (52%)	49 (23%)	55 (26%)	216 (100%)	χ^2 = .862
Net Deficit	121 (56%)	45 (21%)	49 (23%)	215 (100%)	df = 2
Total	233 (54%)	94 (22%)	104 (24%)	431 (100%)	$p > .05$

Table 7.41 Lending Proceeds from *Awqaf* for Personal Needs

	Can proceeds from *wakaf* be lent for personal needs?				
	Yes	No	Not Sure	Total	Chi-Square
Net Surplus	57 (26%)	94 (44%)	65 (30%)	216 (100%)	χ^2 = 1.902
Net Deficit	66 (31%)	80 (37%)	69 (32%)	215 (100%)	df = 2
Total	123 (29%)	174 (40%)	134 (31%)	431 (100%)	$p > .05$

Table 7.42 Giving *Awqaf* Proceeds for Business-Related Purposes

	Can proceeds from *wakaf* be given for business-related purposes?				
	Yes	No	Not Sure	Total	Chi-Square
Net Surplus	75 (35%)	62 (29%)	79 (37%)	216 (100%)	$\chi^2 =$ 1.907
Net Deficit	73 (34%)	74 (34%)	68 (32%)	215 (100%)	df = 2
Total	148 (34%)	136 (32%)	147 (34%)	431 (100%)	$p > .05$

Table 7.43 Lending *Awqaf* Proceeds for Business-Related Purposes

	Can proceeds from *wakaf* be lent for business-related purposes?				
	Yes	No	Not Sure	Total	Chi-Square
Net Surplus	47 (22%)	85 (39%)	84 (39%)	216 (100%)	$\chi^2 =$ 1.716
Net Deficit	54 (25%)	90 (42%)	71 (33%)	215 (100%)	df = 2
Total	101 (23%)	175 (41%)	155 (36%)	431 (100%)	$p > .05$

Table 7.44 Giving *Awqaf* Proceeds to Elderly Individuals

	Can proceeds from *wakaf* be given to elderly individuals, who need cash but are not able to work?				
	Yes	No	Not Sure	Total	Chi-Square
Net Surplus	146 (68%)	20 (9%)	50 (23%)	216 (100%)	$\chi^2 =$ 14.820
Net Deficit	179 (83%)	13 (6%)	23 (11%)	215 (100%)	df = 2
Total	325 (75%)	33 (8%)	73 (17%)	431 (100%)	$p < .05$

Table 7.45 Using *Awqaf* Proceeds to pay Education Fees

	Can proceeds from *wakaf* be used by *wakaf* institutions to pay education fees?				
	Yes	No	Not Sure	Total	Chi-Square
Net Surplus	99 (46%)	34 (16%)	83 (38%)	216 (100%)	$\chi^2 =$ 7.631
Net Deficit	127 (59%)	27 (13%)	61 (28%)	215 (100%)	df = 2
Total	226 (52%)	61 (14%)	144 (33%)	431 (100%)	$p < .05$

Table 7.46 Using *Awqaf* Proceeds to provide *Takaful* Products

	Can proceeds from *wakaf* be used by *wakaf* institutions to provide *takaful* products?				
	Yes	No	Not Sure	Total	Chi-Square
Net Surplus	51 (24%)	57 (26%)	108 (50%)	216 (100%)	$\chi^2 =$ 6.760
Net Deficit	74 (34%)	55 (26%)	86 (40%)	215 (100%)	df = 2
Total	125 (29%)	112 (26%)	194 (45%)	431 (100%)	$p < .05$

Tables 7.47 and 7.48 provide further assistance in gauging respondents' understanding of *awqaf*. Table 7.47 represents the average score of accurate responses by net surplus and deficit respondents, where similar to the *zakat* score, net deficit respondents score relatively higher than net surplus respondents.

Table 7.47 Average Score of Correct *Awqaf* Responses

	Average Score (0-7)
Net Surplus	2.72
Net Deficit	3.23

Table 7.48 highlights the percentage of respondents who answered the first four questions on *awqaf* correctly. These four questions, denoted as the 'basic' *awqaf* questions, together with the correct responses, are listed below:

1. Can the proceeds from *wakaf* be **given** to *wakaf* recipients for personal/households needs? *Yes*
2. Can the proceeds from *wakaf* be **lent** to *wakaf* recipients for personal/households needs? *Yes*
3. Can the proceeds from *wakaf* be **given** to *wakaf* recipients for business-related needs? *Yes*
4. Can the proceeds from *wakaf* be **lent** to *wakaf* recipients for business-related needs? *Yes*

Table 7.48 Basic *Awqaf* Questions Correctly Answered

	All four correctly answered	At least one response incorrect	Total
Net Surplus	28 (13%)	188 (87%)	216 (100%)
Net Deficit	21 (10%)	194 (90%)	215 (100%)
Total	49 (11%)	382 (89%)	431 (100%)

As the table shows, only 13 percent of net surplus and 10 percent of net deficit respondents answered the basic questions on *awqaf* correctly.

7.6 CONCLUSION

The preceding sections aimed towards providing a better picture of the characteristics of the sample under study, notably comparing net surplus respondents with net deficit respondents. In terms of socio-economic characteristics, not surprisingly, one of the more striking figures relates to the disparity of wealth, in the form of earnings, properties and investments between the net surplus and net deficit respondents.

The chapter also provided a glance at the usage and non-usage of financial products of both groups of respondents, with a shift towards non-usage as the products became more complex in general, or less pressing for net deficit respondents, in terms of their needs. Financial exclusion is also evident for a portion of net deficit respondents, where credit facilities and certain insurance or *takaful* products are concerned.

In terms of financial planning activities, worrying practices in money management and the capability, or lack of, to plan for emergencies is clear, notably for net deficit households. Meanwhile, knowledge of financial planning is also lacking for both sets of respondents in general, and net deficit respondents in particular.

When it came to perceptions of *zakat* and *awqaf* in Brunei, both sets of respondents provided similar conclusions, that is historical forms of *zakat* and religious *awqaf* are dominant and well known in Brunei. Unfortunately, in terms of knowledge, both groups of respondents fared relatively poorly, with only a handful of respondents answering the basic questions on *zakat* and *awqaf* correctly.

Chapter 8

QUANTITATIVE ANALYSIS OF SAVING MOTIVES, FINANCIAL EXCLUSION AND FINANCIAL PLANNING

8.1 INTRODUCTION

In Chapter 7 the descriptive statistics provided insights onto the differences between net deficit and net surplus respondents. In this chapter, quantitative analysis is undertaken to understand three main building blocks that may well contribute towards an inclusive Islamic financial planning framework; these are saving motives, financial exclusion and financial planning.

The analysis in this chapter will firstly establish whether there is a financial hierarchy where saving motives and financial exclusion are concerned. Secondly, an understanding of the determinants of saving motives and financial exclusion is sought. Finally, findings on financial planning are highlighted in order to identify variables that significantly determine financial planning knowledge and practice. The relevance of these findings is critical, as they will shape the features of an inclusive Islamic financial planning framework, discussed in Chapter 10.

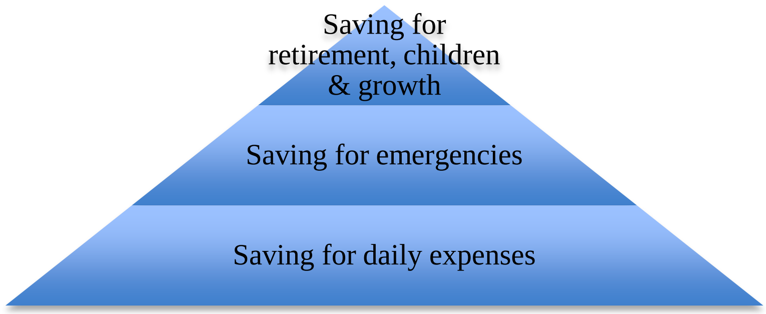
8.2 HIERARCHY OF FINANCIAL NEEDS

The term 'hierarchy of financial needs' is informed by Maslow's hierarchy of needs theory, described in Chapter 2. Maslow's theory describes a hierarchical structure where once basic needs at the bottom of the hierarchy are met, only then will other needs, such as growth needs, be taken into consideration. In finance, the use of Maslow's theory is not uncommon; for instance, Xiao and Noring (1994) utilised the theory to depict a hierarchy of financial needs, taking perceived saving motives as a proxy for financial needs.

8.2.1 Hierarchy - Saving Motives

In terms of saving motives, Xiao and Noring (1994) found that moving from households with low financial resources such as earnings, to higher income households, the perceived saving motives moved from ‘daily expense’ to ‘emergency’ to ‘retirement, children, and growth’, as illustrated in Figure 8.1.

Figure 8.1 A Hierarchical Form of Perceived Saving Motives



The same hierarchical pattern is investigated in this section, inquiring whether, in the case of the Brunei sample, as financial resources increase, the types of saving motives change accordingly. Identifying such a financial hierarchy of needs for the Brunei sample would assist towards creating an inclusive Islamic financial planning framework for the poor, with the aim of moving net deficit households up from one level to the other, that is from meeting one’s survival needs (for instance, saving for daily expenses) onto higher-level needs (for instance, saving for retirement). Therefore, the first research question, denoted as Q_1, is:

> Q_1: Taking perceived saving motives as a proxy for financial needs, does a hierarchy of financial needs exist in Brunei?

In order to establish if a hierarchy of financial needs exists, the ranked reasons for savings[107] are analysed against various types of financial resources, which include

[107] The saving motives discussed here refer to the ranked saving motives or top three reasons for saving, which are answered by respondents through Question 2(b), Section C of the questionnaire. In these chi-square analyses, for statistical purposes, the ranked figures ‘1’, ‘2’ and ‘3’ are converted to ‘1’ in order to facilitate the process of ascertaining a hierarchy of saving motives. It should also be noted that the sample analysed only involves savers; that is either those who save on a regular basis or save whenever they can. This also appears to be the approach undertaken in Xiao and Noring (1994).

earnings, real assets[108], financial assets[109], net worth[110] as well as whether the respondent was in the net deficit or surplus category. The inclusion of different proxies or types of financial resources is intended to see if certain saving motives are more persistent than others, when the saving motives are tested against the varying financial resources. Here, Pearson's chi-square test is used to verify whether there is a statistically significant relationship between the respective saving motive and financial resources.

8.2.1.1 Net surplus/deficit categorisation

Table 8.1 shows the results of the Pearson's chi-square computation, when saving motives are tested against those receiving financial assistance (net deficit households) vis-à-vis those not receiving financial assistance (net surplus households). Note that the results highlighted in bold represents those found to be statistically significant.

Table 8.1 Chi-Square Results - Ranked Saving Motives, vis-à-vis Net Surplus/Deficit Categorisation (n = 287)

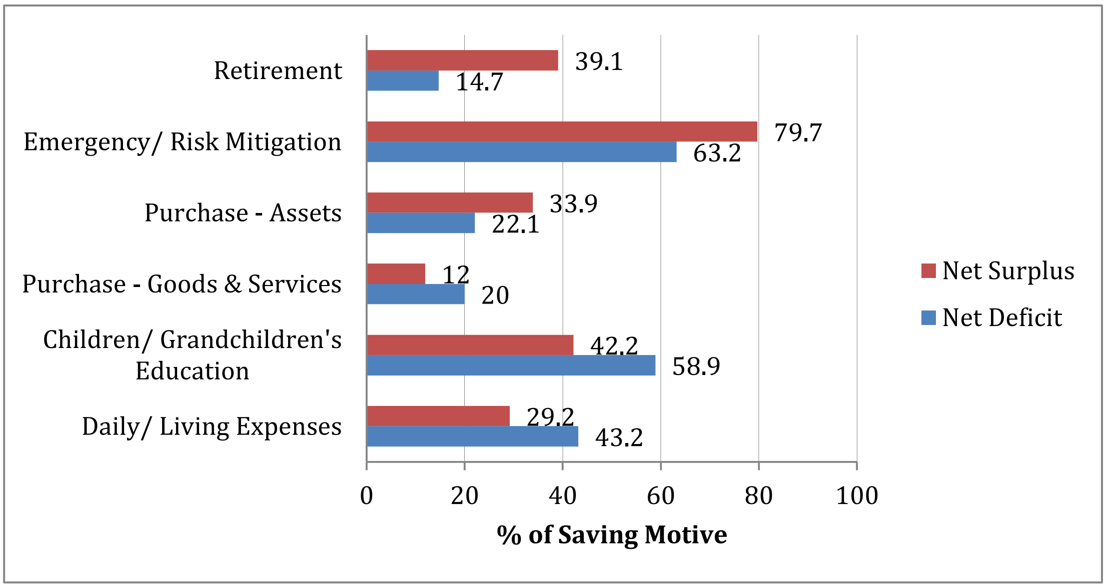
No.	Saving Motives	Results
1.	Daily/Living Expenses	**$\chi^2(1) = 5.560, p < .05$**
2.	Emergency/Risk Mitigation	**$\chi^2(1) = 9.074, p < .05$**
3.	Purchase – Goods/Services	**$\chi^2(1) = 3.273, p < .10$**
4.	Purchase – Assets	**$\chi^2(1) = 4.180, p < .05$**
5.	Children/Grandchildren's Education	**$\chi^2(1) = 7.155, p < .05$**
6.	Retirement	**$\chi^2(1) = 17.578, p < .001$**
7.	Charity/Religious Donation	$\chi^2(1) = 1.780, p > .05$

In terms of net surplus/deficit categorisation, with the exception of 'charity/religious donation', the table shows that there is a significant association between the net surplus/deficit categorisation and whether or not one saves for a particular motive.

108 Real assets pertain to properties and equities, which include vehicles, primary residences, other residential properties, equity in non-residential property and business equity.
109 Financial assets refers to bank accounts and investments, which include saving accounts, current accounts, fixed deposits, employee provident funds, mutual funds, bonds, shares and cash value of life insurance/ family *takaful*.
110 Net worth is the cumulative value of financial assets and real assets, less total debt.

Figure 8.2 illustrates the percentage of saving motives for net surplus and net deficit households[111].

Figure 8.2 Percent of Households with Ranked Saving Motives vis-à-vis Net Surplus/Deficit Categorisation



As the diagram highlights, net surplus households are more likely to save for retirement, emergencies and purchase of assets, while net deficit households are more likely to report saving for purchase of goods/services, saving for their children/grandchildren's education and daily expenses.

8.2.1.2 Earnings

Table 8.2 shows the results of Pearson's chi-square test, when saving motives are tested against earnings. The table illustrates saving motives compared against three income groups[112], that is low income (under BND675), middle income (BND675-BND4,000) and high income (over BND4,000), with the results indicating that three saving motives are found to be statistically significant, that is daily/living expenses, children/grandchildren's education and retirement.

[111] Note only the saving motives that are statistically significant are depicted in the diagram. This also applies to other similar diagrams shown in the following pages.

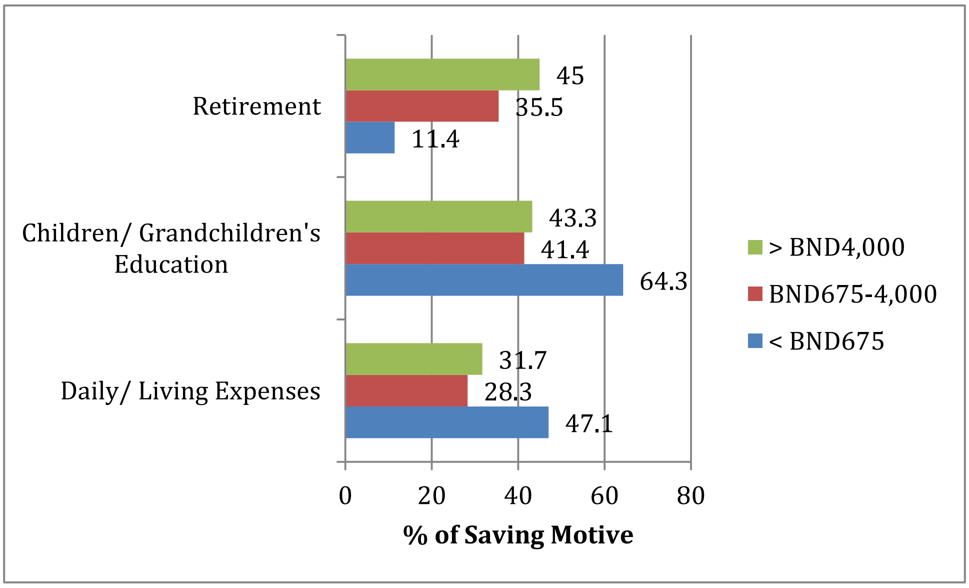
[112] Categorisation of income groups are based upon dividing respondents into the bottom 25% (low income), middle 50% (middle income) and top 25% (high income) category. The categorisation of the groups into these three distinct levels is aimed at ascertaining valuable insights, notably as the high-income group and low-income group are restricted to the top and bottom 25% respectively. This approach is also used by Xiao and Noring (1994).

Table 8.2 Chi-Square Results - Ranked Saving Motives against Earnings (n = 282)

No.	Saving Motives	Results
1.	Daily/Living Expenses	**χ^2 (2) = 7.765, $p < .05$**
2.	Emergency/Risk Mitigation	χ^2 (2) = 3.200, $p > .05$
3.	Purchase – Goods/Services	χ^2 (2) = 1.887, $p > .05$
4.	Purchase – Assets	χ^2 (2) = 3.361, $p > .05$
5.	Children/Grandchildren's Education	**χ^2 (2) = 10.559, $p < .05$**
6.	Retirement	**χ^2 (2) = 19.259, $p < .001$**
7.	Charity/Religious Donation	χ^2 (2) = .861, $p > .05$

Figure 8.3 compares the saving motives that are found to be statistically significant, against the respective income group. As shown in percentages, low-income households or those earning less than BND675 are more likely to save for daily expenses as well as education for their children/grandchildren than the relatively higher income groups. Meanwhile, high-income households are more likely to save for retirement than the middle-income households, and more so than the low-income households.

Figure 8.3 Percent of Households with Ranked Saving Motives, by Earnings



8.2.1.3 Real assets and financial assets

Table 8.3 and Table 8.4 show the results of Pearson's chi-square test, when saving motives are tested against real assets and financial assets respectively.

Table 8.3 Chi-Square Results - Ranked Saving Motives against Real Assets (n = 278)

No.	Saving Motives	Results
1.	Daily/Living Expenses	χ^2 (2) = 1.465, p > .05
2.	Emergency/Risk Mitigation	**χ^2 (2) = 10.516, p < .05**
3.	Purchase – Goods/Services	χ^2 (2) = 1.839, p > .05
4.	Purchase – Assets	χ^2 (2) = 1.394, p > .05
5.	Children/Grandchildren's Education	**χ^2 (2) = 10.252, p < .05**
6.	Retirement	**χ^2 (2) = 12.760, p < .05**
7.	Charity/Religious Donation	χ^2 (2) = 4.129, p > .05

Table 8.4 Chi-Square Results - Ranked Saving Motives against Financial Assets (n = 241)

No.	Saving Motives	Results
1.	Daily/Living Expenses	χ^2 (2) = 2.621, p > .05
2.	Emergency/Risk Mitigation	**χ^2 (2) = 6.884, p < .05**
3.	Purchase – Goods/Services	χ^2 (2) = 2.569, p > .05
4.	Purchase – Assets	χ^2 (2) = 2.864, p > .05
5.	Children/Grandchildren's Education	**χ^2 (2) = 6.365, p < .05**
6.	Retirement	**χ^2 (2) = 14.721, p < .05**
7.	Charity/Religious Donation	Fisher's Exact Test[113] p > .05

[113] Pearson's Chi-Square cannot be used, as the assumption that the expected frequency should be greater than 5 is violated. Fisher's Exact Test is instead used as a substitute as suggested in Field (2009).

Tables 8.3 and 8.4 highlight there is a relationship between the three saving motives (emergency/risk mitigation, children/grandchildren's education and retirement) and the two types of assets (real assets and financial assets).

Figures 8.4 and 8.5 depict the percentage of saving motives, against three groups[114] of real and financial assets respectively.

Figure 8.4 Percent of Households with Ranked Saving Motives, by Real Assets

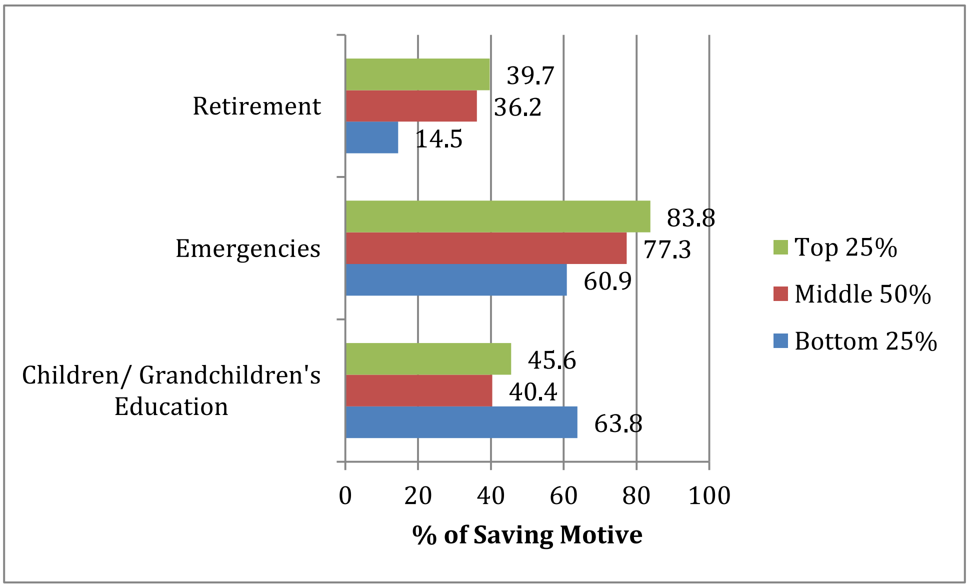
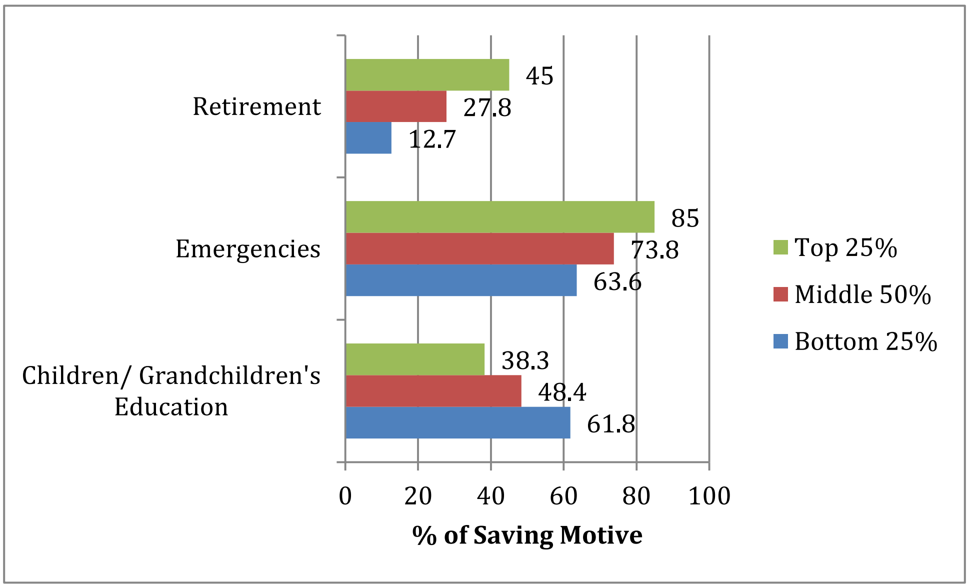


Figure 8.5 Percent of Households with Ranked Saving Motives, by Financial Assets



[114] Categorisation of the assets are based upon dividing respondents into the bottom 25%, middle 50% and top 25% category, an approach used by Xiao and Noring (1994).

Figures 8.4 and 8.5 illustrate that households with the lowest 25 percent of real and financial assets are more likely to save for children/grandchildren's education, while households with the highest 25 percent of real and financial assets are more likely to save for retirement and emergencies.

8.2.1.4 Net worth

Table 8.5 shows the results of Pearson's chi-square test, when saving motives are tested against net worth.

Table 8.5 Chi-Square Results - Ranked Saving Motives against Net Worth (n = 227)

No.	Saving Motives	Results
1.	Daily/Living Expenses	$\chi^2(2) = 4.478, p > .05$
2.	Emergency/Risk Mitigation	$\boldsymbol{\chi^2(2) = 10.755, p < .05}$
3.	Purchase – Goods/Services	$\chi^2(2) = 1.206, p > .05$
4.	Purchase – Assets	$\chi^2(2) = .289, p > .05$
5.	Children/Grandchildren's Education	$\boldsymbol{\chi^2(2) = 8.091, p < .05}$
6.	Retirement	$\chi^2(2) = 3.749, p > .05$
7.	Charity/Religious Donation	Fisher's Exact Test[115] $p > .05$

The results show that when net worth is used as a proxy for financial resources or wealth, two saving motives are found to be statistically significant; emergency/risk mitigation and children/grandchildren's education.

Figure 8.6, which illustrates the percentage of saving motive by net worth, shows the prevalence of these two saving motives, where households with high net worth are more likely to save for emergencies, compared to those with relatively lower financial net worth. Meanwhile, households possessing a low financial net worth are more likely to save for children/grandchildren's education.

[115] Pearson's Chi-Square cannot be used, as the assumption that the expected frequency should be greater than 5 is violated. Fisher's Exact Test is instead used as a substitute as suggested in Field (2009).

Figure 8.6 Percent of Households with Ranked Saving Motives, by Net Worth

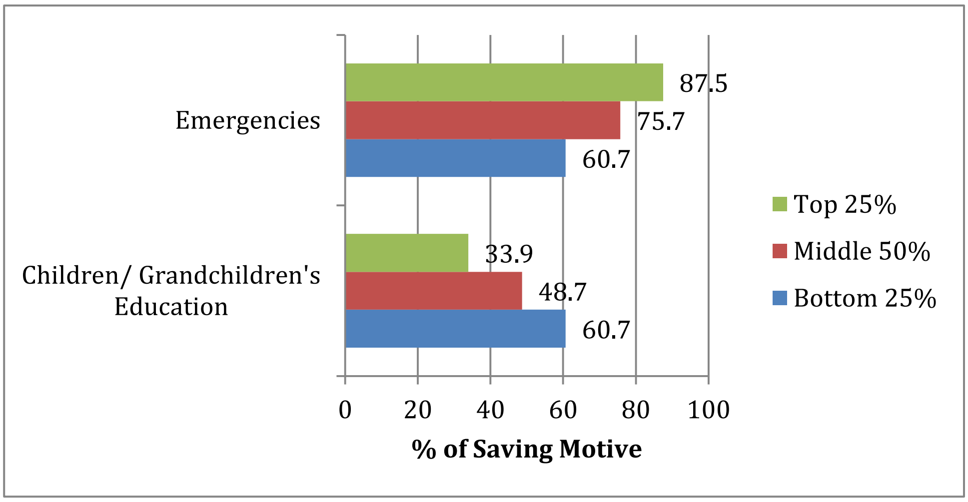


Table 8.6 provides a summary of the chi-square results, highlighting the statistically significant saving motives against the respective financial resources. Note that 'X' indicates that there is a relationship between the saving motive and financial resource and that households with a larger financial resource or net surplus households are more likely to be saving for that particular saving motive. Meanwhile, 'XX' indicates there is a relationship between the saving motive and financial resource, and that households having a relatively smaller financial resource or net deficit households are likely to be saving for that particular saving motive.

Taking Table 8.6 into account, although not all saving motives are found to be significant, it does however point out that there is a hierarchy of financial needs, where saving motives are concerned. In summary, savers in the upper echelons of the hierarchy are more likely to save for retirement, emergencies and purchase of assets. Meanwhile, those in the lower levels of the hierarchy are more likely to save for daily expenses, children/grandchildren's education and goods/services. Taken in this context, these saving motives assist in highlighting the next pivotal question 'How can an inclusive IFP framework assist those at the bottom of the hierarchy to gradually move up the pyramid?' To effectively answer this question, one needs to firstly ascertain the determinants of those saving for emergencies, asset purchases and retirement. This will be explored accordingly in Section 8.3.

Table 8.6 Chi-Square Results - Ranked Saving Motives against Financial Resources

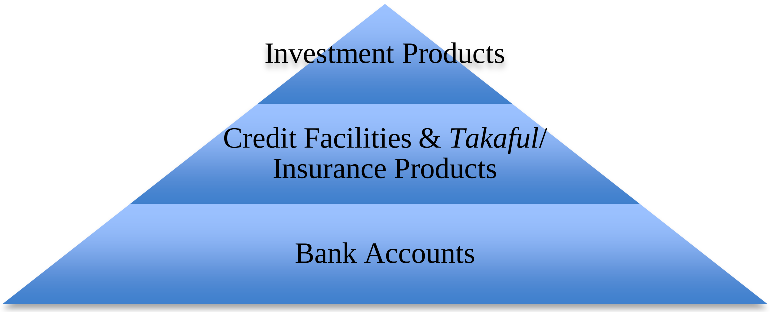
No.	Saving Motives \ Financial Resources	Net Surplus/ Deficit Categorisation	Earnings	Real Assets	Financial Assets	Net Worth
1.	Retirement	X	X	X	X	
2.	Emergency/Risk Mitigation	X		X	X	X
3.	Purchase – Assets	X				
4.	Purchase – Goods/Services	XX				
5.	Children/Grandchildren's Education	XX	XX	XX	XX	XX
6.	Daily/Living Expenses	XX	XX			

Note:
[X] – Likelihood of households with a larger financial resource saving for that particular motive.
[XX] - Likelihood of households with a smaller financial resource, saving for that particular motive.

8.2.2 Hierarchy – Financial Exclusion

Aside from saving motives, a financial hierarchy also informs the issue of financial exclusion. One may state that financial exclusion is generally referred to as having difficulties in accessing financial products and services. Therefore, it would be insightful to ascertain if certain households are more likely to have difficulty in accessing such financial products/services than other households, notably in a hierarchical context. Figure 8.7 illustrates an example of a hierarchy of financial needs within the realm of financial exclusion. Bank accounts are generally seen as pre-requisites to other financial products and therefore such accounts should be seen as a basic need to be satisfied first. Meanwhile, investment products can be viewed as high-level needs, as the cost of investment products are relatively high.

Figure 8.7 A Hierarchical Form of Financial Products/Services



Ascertaining the existence of a hierarchy, with regards to financial exclusion and how it would look, would provide an insightful perspective and additional component towards creating an inclusive Islamic financial planning framework. To the extent that a hierarchy exists, the intention is to move net deficit households up from meeting survival needs (for instance, having a bank account to receive one's salary) onto higher-level needs (for instance, having access to investment products, to save for retirement). Therefore the research question denoted as Q_2 is:

> Q_2: Taking access to financial products/services (financial exclusion) as a proxy for financial needs, does a hierarchy of financial needs exist in Brunei?

In the context of financial exclusion, difficulties in accessing financial products are denoted by responses to Question 2 and Question 3, Section B of the questionnaire[116]. The combined responses are then categorised into four main groups of financial products: bank accounts, credit facilities, insurance/*takaful* products and investment products. The financial exclusion of households from these four categories of financial products is then analysed against various types of financial resources, including earnings, real assets, financial assets, net worth as well as whether the respondent was in the net deficit or surplus category. To ascertain the relationship between the four categories of financial products and financial resources, Pearson's chi-square test is used.

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[116] During the structured interviews, 17 financial products/services were highlighted to interviewees and the following questions related to financial exclusion were posed:

- Question 2: 'Have you ever applied for any of these financial products/services, but were not successful in your application?'
- Question 3: 'Have you ever **considered** applying for any of these financial products/services but **decided not to**, due to the high costs or difficulty in meeting the bank's requirements?'

It should be noted that in the following pages, only the chi-square results related to earnings, financial assets and categorisation of net surplus vis-à-vis net deficit are shown. The results pertaining to real assets and net worth are omitted, as the results are not statistically significant.

8.2.2.1 Net surplus/deficit categorisation

Table 8.7 shows the results of the Pearson's chi-square test, when financial exclusion or difficulties in accessing financial products are tested against those receiving financial assistance (net deficit households) vis-à-vis those not receiving financial assistance (net surplus households).

Table 8.7 Chi-Square Results[117] – Financial Exclusion, vis-à-vis Net Surplus/Deficit Categorisation

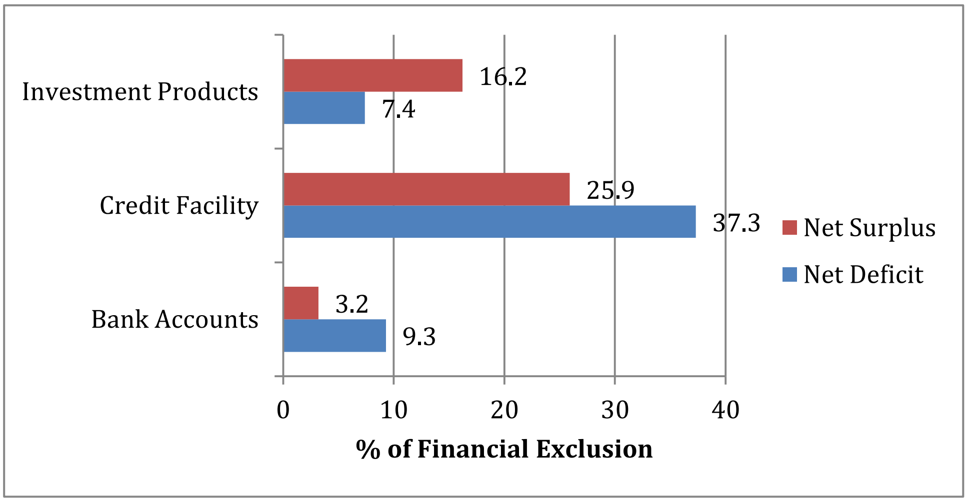
No.	Financial Products	Results
1.	Bank Accounts	$\boldsymbol{\chi^2(1) = 6.742, p < .05}$
2.	Credit Facility	$\boldsymbol{\chi^2(1) = 6.370, p < .05}$
3.	*Takaful/*Insurance Products	$\chi^2(1) = 2.016, p > .05$
4.	Investment Products	$\boldsymbol{\chi^2(1) = 7.929, p < .05}$

The table highlights that all the categories of financial products, with the exception of *takaful*/insurance, are statistically significant. Figure 8.8[118] further illustrates the percentage of households that is more likely to have difficulties accessing financial products or is more likely to be financially excluded, within each financial category.

As shown in Figure 8.8, not surprisingly, net deficit households are more likely to be financially excluded, where bank accounts and credit facilities are concerned, compared to net surplus households.

[117] The number of sample (n) analysed for all types of financial products are 431, with the exception of credit facilities where n = 428.
[118] Note only the financial products that are statistically significant are depicted in the diagram. This also applies to other similar diagrams shown in the following pages.

Figure 8.8 Percent of Households with Financial Exclusion, vis-à-vis Net Surplus/Deficit Categorisation



As for investment products, the diagram shows that net surplus households are more likely to be financially excluded than net deficit households. From one perspective, this finding is intriguing, as it is more intuitive for net deficit households to be excluded than net surplus households, in terms of accessing investment products. However, from another perspective, one may contend that the reason for such findings may be due to the fact that net deficit households have more pressing needs. With the need to have bank accounts and credit facilities to stabilise their personal finances, investment products are the least of their priorities or 'financial needs', a point also noted in the semi-structured interview highlighted in Chapter 9. Therefore, net deficit households are less likely to report that they face difficulties accessing investment products, as their financial needs where financial products are concerned, lie elsewhere.

8.2.2.2 Earnings

Table 8.8 shows the results of Pearson's chi-square test, when financial exclusion is tested against earnings. The table illustrates financial exclusion compared against three income groups[119], that is low income (under BND300), middle income

[119] Similar to section 8.2.1.2, the categorisation of income groups are based upon dividing respondents into the bottom 25% (low income), middle 50% (middle income) and top 25% (high income) categories. Note that the specific amounts related to the upper, middle and lower income groups in this section differ from section 8.2.1.2. This is because the analysis related to that particular section refers to a subgroup of the respondents, since not all respondents were required to answer Question 2 of Section C, relating to the saving motives. Meanwhile, the analysis in this section includes all respondents. Hence, the differences of the earnings amount, within the income groups.

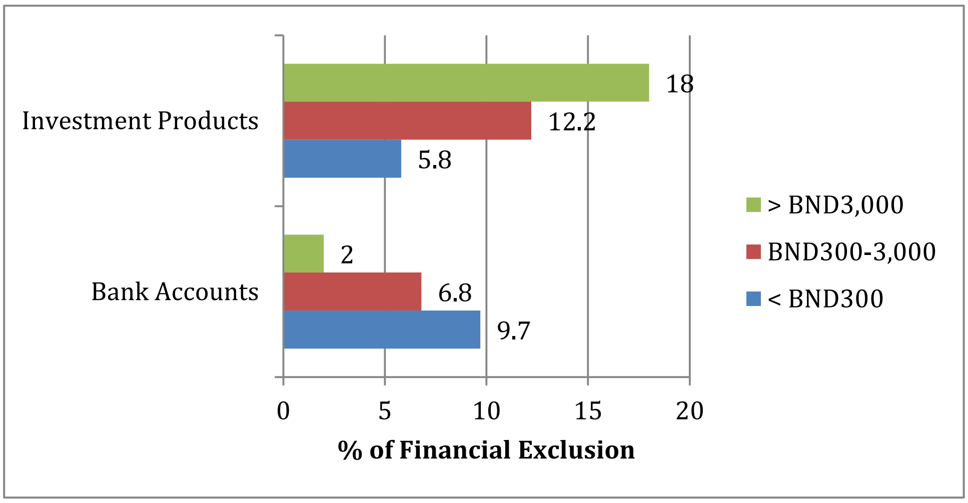
(BND300-BND3,000) and high income (over BND3,000), with the results highlighting bank accounts and investment products as being statistically significant.

Table 8.8 Chi-Square Results[120] – Financial Exclusion, vis-à-vis Earnings

No.	Financial Products	Results
1.	Bank Accounts	**$\chi^2(2) = 5.195, p < .10$**
2.	Credit Facility	$\chi^2(2) = 2.053, p > .05$
3.	*Takaful*/Insurance Products	$\chi^2(2) = 3.248, p > .05$
4.	Investment Products	**$\chi^2(2) = 7.134, p < .05$**

Figure 8.9 shows that when earnings are used as a proxy of financial resources, similar to the previous section, households on low incomes are more likely to be excluded from accessing bank account facilities than higher income groups. Meanwhile, in terms of investment products, high-income earners report that they are excluded from accessing these products, more so than low-income earners.

Figure 8.9 Percent of Households with Financial Exclusion, by Earnings



8.2.2.3 Financial assets

Table 8.9 shows the results of Pearson's chi-square test, when financial exclusion is tested against financial assets, with only investment products being statistically significant.

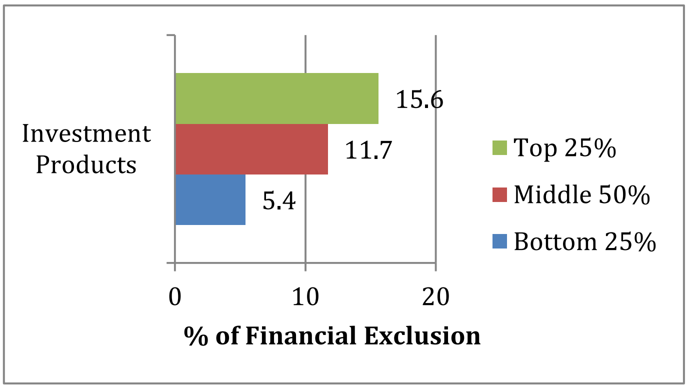
[120] The number of sample (n) analysed for all types of financial products are 425, with the exception of credit facilities where n = 422.

Table 8.9 Chi-Square Results[121] – Financial Exclusion, vis-à-vis Financial Assets

No.	Financial Products	Results
1.	Bank Accounts	$\chi^2(2) = 2.548, p > .05$
2.	Credit Facility	$\chi^2(2) = .790, p > .05$
3.	*Takaful*/Insurance Products	$\chi^2(2) = .170, p > .05$
4.	Investment Products	$\boldsymbol{\chi^2(2) = 4.879, p < .10}$

Figure 8.10 shows the extent of the exclusion, in percentages. As shown, when financial assets are taken as a proxy of financial resources, similar to the findings of the preceding sections, households with larger financial resources are reported to have more difficulties accessing investment products than households with smaller financial resources.

Figure 8.10 Percent of Households with Financial Exclusion, by Financial Assets



Taking all of the above into context, Table 8.10 summarises the findings with 'X' indicating that there is a relationship between the financial resource and financial exclusion of the respective financial product, and that those having a larger financial resource or membership of a net surplus household are more likely to be financially excluded. Meanwhile, 'XX' indicates there is a relationship between the financial resource and financial exclusion of the respective financial product, and that those having a smaller financial resource or membership of a net deficit household are more likely to be financially excluded.

[121] The number of sample (n) analysed for all types of financial products are 370, with the exception of credit facilities where n = 367.

Table 8.10 Chi-Square Results - Financial Exclusion against Financial Resources

No.	Financial Resources / Financial Products	Net Surplus/ Deficit Categorisation	Earnings	Financial Assets
1.	Investment Products	X	X	X
2.	Credit Facility	XX		
3.	Bank Accounts	XX	XX	

Note:
[X] – Likelihood of households with a larger financial resource, being financially excluded.
[XX] - Likelihood of households with a smaller financial resource, being financially excluded.

Here, it appears that there is a hierarchical structure of financial exclusion, whereby those at the bottom of the hierarchy are more likely to face difficulties or be excluded from accessing bank accounts, as well as credit facilities. Meanwhile, those at the upper level are more likely to be excluded from investment products, possibly due to the lack of ‘financial need’ or demand for investment products, by those on the lower levels of the hierarchy.

In other words, those on the lower tiers of the hierarchy have more pressing ‘financial needs’, which essentially advocates further the existence of a hierarchy of financial needs, within the realm of financial exclusion; such basic needs must be satisfied first before other needs (such as investment products) are taken into consideration.

8.3 DETERMINANTS OF SAVING MOTIVES

With the existence of a financial hierarchy with regards to saving motives, shown in Section 8.2.1, it would be prudent to next identify who are more likely to become savers for emergencies, asset purchases and retirement. An understanding of the variables would provide a more effective approach towards creating an inclusive IFP framework, in the context of Brunei. To that end, the first research question in this section is:

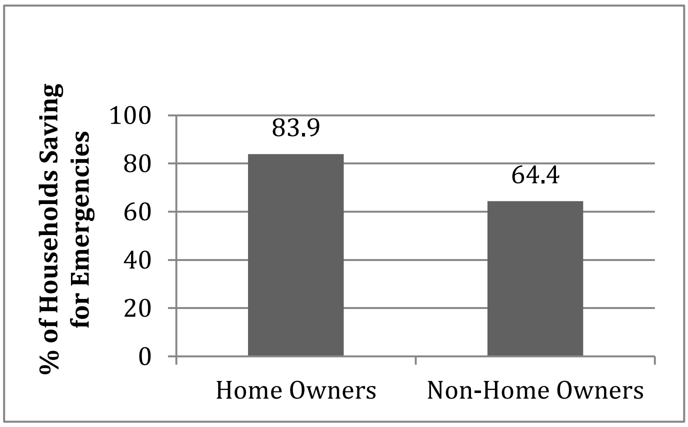
Q_3: What are the socio-economic variables determining savings for emergencies/risk mitigation?

To evaluate the answers to this research question and other similar questions in the subsequent sections, Pearson's chi-square and a logistic regression are performed between socio-economic variables[122] and the respective saving motive, which in this case is 'saving for emergencies'. Pearson's chi-square is used to ascertain if there is a relationship between the socio-economic variables and respective saving motive, while the logistic regression is used to test if the variables are significant against the saving motive, when controlling for other variables.

Where the chi-square is concerned, Figure 8.11 highlights the percentages of saving motives against variables that are found to be statistically significant, while Table 8.11 shows the result of the logistic regression.

Figure 8.11 Percent of Households Saving for Emergencies, by:

(a) Home Ownership (n = 281) [Result: $\chi^2(1) = 14.093$, $p < .001$]



[122] Overall, eight socio-economic variables were tested for association against the respective saving motives but only those that were statistically significant are highlighted. The eight variables are gender, marital status, employment status, home ownership, earnings, education, size of family and age. Similar to Section 8.2.1, the sample analysed only includes savers, that is either those who save on a regular basis or save whenever they can.

(b) Age (n = 287) [Result: χ^2 (2) = 5.953, p < .10]

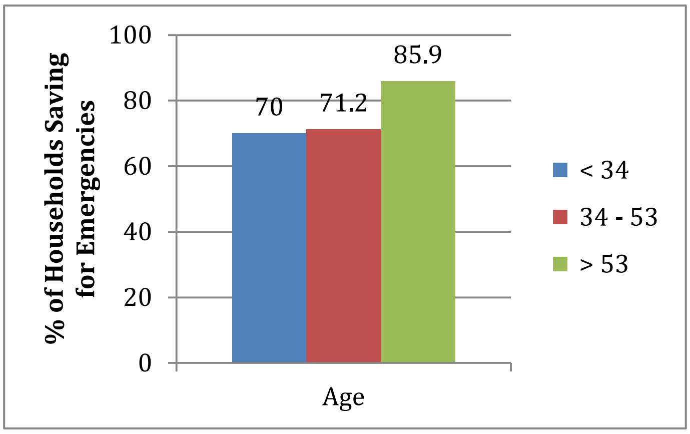


Table 8.11 Logistic Regression Predicting Likelihood of Saving for Emergencies/Risk Mitigation[123] (n = 270)

	B	SE	df	P	Odds Ratio	95% CI for Odds Ratio	
						Lower	**Upper**
Gender	.04	.40	1	.93	1.04	.47	2.27
Marital Status	.00	.43	1	.99	1.00	.43	2.33
Employment (Govt. Employee)			2	.40			
Employment (Non-Govt. Employee)	.20	.40	1	.62	1.22	.56	2.65
Employment (Student, Retiree, Housewife, Actively looking for work)	-0.44	.43	1	.31	.65	.28	1.50
Home Ownership	1.02	.33	1	**.00**	2.78	1.45	5.33
Education (No. of years in education)	.03	.04	1	.55	1.03	.94	1.12
Size of Family	-0.08	.05	1	.11	.92	.84	1.02
Age (Over 53)			2	**.08**			
Age (Below 34)	-1.02	.57	1	**.07**	.36	.12	1.11
Age (Between 34-53)	-1.11	.49	1	**.02**	.33	.13	.86
Constant	1.77	.97	1	.07	5.89		

Note: R^2 = .08 (Cox & Snell), .12 (Nagelkerke). Model χ^2(9) = 22.894, p < .05

[123] The variable ‘Earnings’ is not included in this particular test, as it did not fulfil the assumption of linearity.

Both the chi-square tests and logistic regression highlight that amongst those who stated a saving motive, home ownership and age are found to be statistically significant. As Figure 8.11 indicates, home owners are more likely to save for emergencies than non-home owners, whilst those over 53 years of age are more likely to save for emergencies than the relatively younger groups.

As shown in Table 8.11, controlling for other variables, age is statistically significant, with the odds of saving for emergencies being less likely for younger respondents, compared to the older respondents. For instance the odds of respondents saving for emergencies decreases by 0.33 for those aged between 34 and 53, compared to those aged over 53. One possible explanation as to why older respondents are more likely to save for emergencies than the relatively younger, is that younger households may well be using their earnings to purchase assets such as homes. In contrast, older households may have already acquired those assets, and are now attempting to build up emergency funds for their golden age.

Aside from age, home ownership is also statistically significant, with an odds ratio of 2.78. This signifies that the odds of saving for emergencies are 2.78 times higher for home owners than non-home owners.

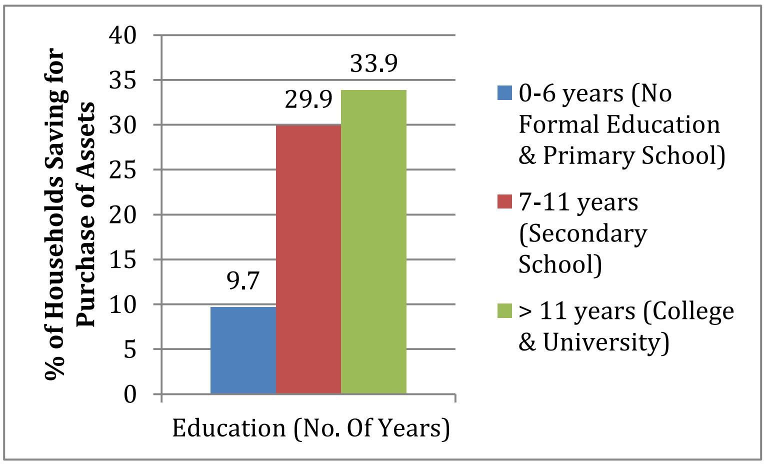
> Q_4: What are the socio-economic variables determining savings for purchases of assets?

In the context of $Q_{4,}$ the chi-square test results between saving for the purchase of assets and variables that are found to be statistically significant are depicted in Figure 8.12, which highlights the percentage of households that are saving for asset purchases, against the respective statistically significant variables. As Figure 8.12 highlights, those who are more likely to save for assets are those who undertook higher education, non-home owners and those who are relatively younger.

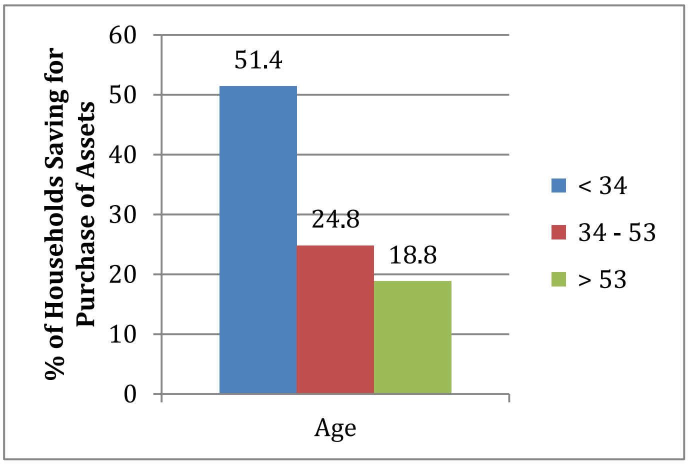
However, when controlling for other variables, the result of the logistic regression shows that home ownership and age are statistically significant variables, towards saving for asset purchases, as shown in Table 8.12. The table also shows that differences between respondents with a primary and secondary education, as well as differences between low-income and high-income earners, are also statistically significant variables.

Figure 8.12 Percent of Households Saving for Purchase of Assets, by:

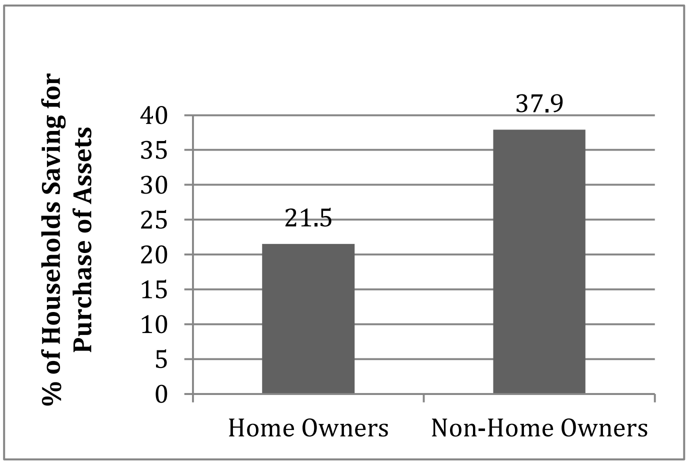
(a) Education (n = 277) [Result: χ^2 (2) = 6.931, $p < .05$]



(b) Age (n = 287) [Result: χ^2 (2) = 21.120, $p < .001$]



(c) Home Ownership (n = 281) [Result: χ^2 (1) = 9.112, $p < .05$]



For these latter two sets of variables, this result should be cautiously interpreted, as the respective baseline category for education and earnings is not significant.

Table 8.12 Logistic Regression Predicting Likelihood of Saving for Purchase of Assets (n = 265)

	B	SE	df	p	Odds Ratio	95% CI for Odds Ratio	
						Lower	Upper
Gender	-0.07	.39	1	.86	.93	.44	1.99
Marital Status	.40	.42	1	.35	1.49	.65	3.40
Employment (Govt. Employee)			2	.99			
Employment (Non-Govt. Employee)	-0.04	.39	1	.91	.96	.44	2.07
Employment (Student, Retiree, Housewife, Actively looking for work)	.01	.47	1	.98	1.01	.41	2.52
Size of Family	.05	.05	1	.30	1.05	.96	1.16
Earnings (>BND4,000)			2	.16			
Earnings (<BND675)	-1.07	.56	1	**.06**	.34	.12	1.03
Earnings (BND675-4,000)	-0.53	.39	1	.17	.59	.28	1.26
Home Ownership	-0.61	.33	1	**.07**	.54	.28	1.04
Education (Primary)			2	.12			
Education (Secondary)	1.30	.68	1	**.06**	3.66	.96	13.93
Education (Tertiary)	.94	.72	1	.19	2.55	.62	10.49
Age (Below 34)			2	**.02**			
Age (Between 34-53)	-1.00	.36	1	**.00**	.37	.18	.74
Age (Over 53)	-0.96	.53	1	**.07**	.38	.13	1.09
Constant	-0.78	.94	1	.41	.46		

Note: R^2 = .10 (Cox & Snell), .14 (Nagelkerke). Model $\chi^2(12)$ = 27.752, $p < .05$

As Table 8.12 shows, age is statistically significant, with those below 34 years of age more likely to save for asset purchases than the relatively older groups. For instance, the younger group has an odds ratio of 2.7[124], as compared to those aged between 34 and 53. In other words, controlling for other variables, the odds of saving to purchase assets is 2.7 times higher for respondents aged less than 34 years old, than those aged between 34 and 53. This finding confirms the analysis provided in research question 3, where age is concerned. The older group is more likely to save for emergencies than the younger group, as the younger group appears to save their earnings to purchase assets. These findings appear to fall in line with the Life Cycle Hypothesis described in Chapter 2, whereby in the early years of working life, individuals are more likely to become a net borrower and dissave[125], to attain assets such as homes.

In terms of earnings, high-income earners are 2.94 times[126] more likely to save for asset purchases than low-income earners. Where education is concerned, those with a secondary education are 3.66 times[127] more likely to save towards purchasing assets, than those with a primary education.

One particular result worth noting is home ownership. In terms of saving for the purchase of assets, it has an odds ratio of 0.54. This means that by owning a home, the odds of respondents saving to purchase assets decreases by 0.54. Conversely, one may also state that the odds of saving to purchase assets are 1.85 times[128] higher for non-home owners than home owners. It is interesting that, to a certain degree, the results of both research questions 3 and 4 relate to the issue of home ownership, which may suggest some relationship between saving for emergencies, saving for assets and ownership of a home.

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[124] Computed by inverting the odds ratio (1 divided by 0.37). The upper and lower 95.0% confidence interval for this ratio lies between 1.35 and 5.56.

[125] At the surface, the above sentences may appear to be conflicting, whereby one appears to save to purchase assets, and yet the LCH denotes them as net borrowers and dissavers. However, one should bear in mind that generally, purchase of assets such as homes via financing/loans, requires a down payment which necessitates savings at the initial stage of purchasing a home. Taken in that context, the above assertions may well apply.

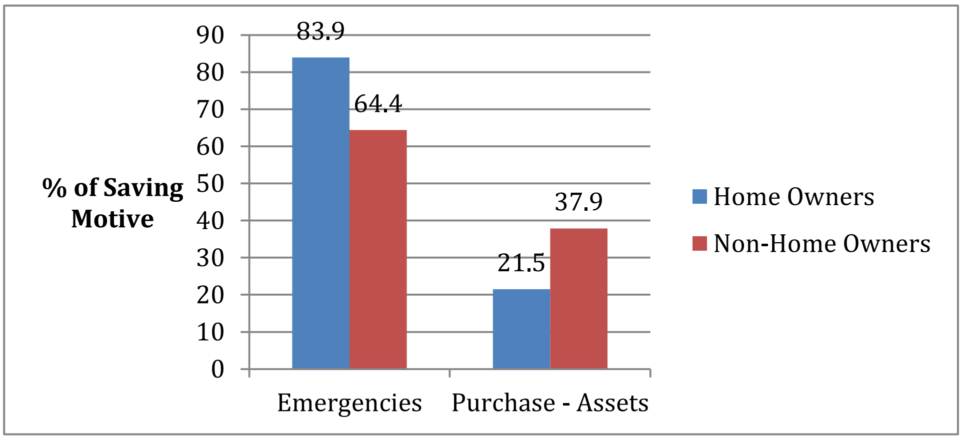
[126] Computed by inverting the odds ratio (1 divided by 0.34). Note that the upper and lower 95.0% confidence interval for this ratio lies between 0.97 and 8.33. Since the confidence interval contains the value of 1, this finding should be cautiously interpreted as, according to Pallant (2010), this means that one cannot rule out the possibility of equal probability of saving or not saving for asset purchases.

[127] The table shows the 95% confidence interval contains the value of 1, and as the above footnote highlights, it should be cautiously interpreted.

[128] Computed by inverting the odds ratio (1 divided by 0.54). The upper and lower 95.0% confidence interval for this ratio lies between 0.96 and 3.57, which contains the value of 1.

For illustrative purposes, Figure 8.13 shows the percentages related to home ownership depicted in Figure 8.11 and 8.12, compared side-by-side to assess the effect of home ownership on saving for emergencies and saving for purchase of assets.

Figure 8.13 Percent of Households with Ranked Saving Motives 'Emergencies' and 'Purchase – Asset', by Home Ownership



There appears to be a clear pattern involving home ownership, whereby home owners are more likely to save for emergencies than non-home owners, while non-home owners are more likely to save for assets than home owners.

To understand the importance of home ownership further, analysis was carried out on the 'Purchase – Assets' category with regards to non-home owners, towards ascertaining what specific asset non-home owners are saving for. The ranked responses of those saving for the respective asset are summarised into weighted scores[129], as shown in Table 8.13. The scores shown in the 'Non-Home Owners' column highlights that, in general, purchasing a house is the main asset that non-home owners are saving for.

Taking the above into account, one may contend that if non-home owners are more likely to save for assets such as housing, and less likely to save for emergencies, there could potentially be a mis-match of saving priorities for non-home owners. This may well be due to a lack of financial education whereby non-home owners may underestimate the value of saving for emergencies. Another possible factor to

[129] To compute the scores, with regards to responses to the ranked saving motive (Question 2b, Section C of the questionnaire), a score of 3 is given to the asset ranked as number 1, a score of 2 for rank number 2 and a score of 1 for rank number 3. The weighted scores are then computed by multiplying the weights with the raw data and divided by the highest possible score, before multiplying by 3.

consider is that non-home owners may have other avenues or buffers should such emergencies occur, such as family support[130].

Table 8.13 Weighted Scores of Assets in the 'Purchase – Assets' Category

Asset	**Scores**		
	Non-Home Owners	**Education (> 11 years)**	**Age (< 34 years)**
Own/Spouse Education	0.52	0.73	0.89
Buy Own House	2.29	2.23	2.15
Home Repairs/ Improvement	0.14	0.42	0.11
Buy (invest in) own business/farm	0.07	0.00	0.07

In itself, the importance of home ownership cannot be ignored as it is found to be prevalent where education and age are concerned, as shown in Table 8.13. The scores indicate that the relatively younger respondents, and those who undertook higher education, consider a house as the main asset to save for, signifying further the importance of home ownership in general.

> Q_5: What are the socio-economic variables determining savings for retirement?

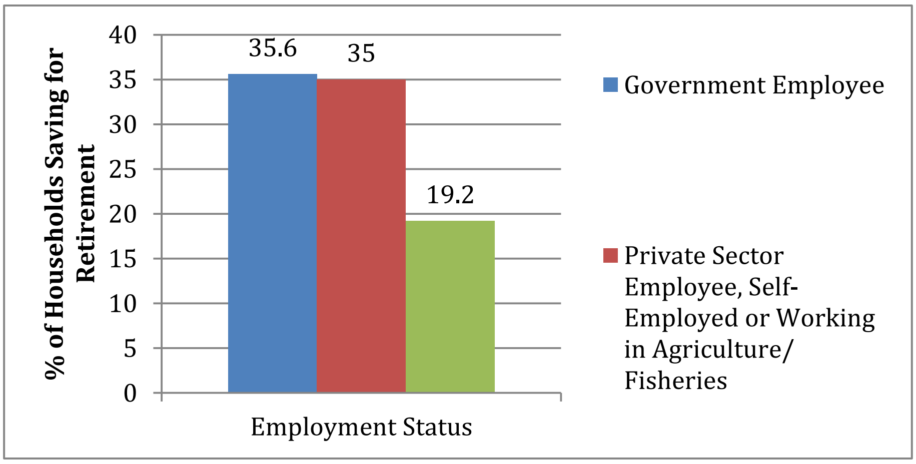
In the context of Q_5 and the chi-square test, Figure 8.14 illustrates the percentage of households saving for retirement and variables that are found to be statistically significant. The figure indicates that heads of households who generally are employed, those who attained a higher level of education compared to secondary level of education[131], and relatively high earners are more likely to save for retirement.

[130] Future research that examine emergency planning or saving for emergencies should consider ascertaining the role of these avenues or buffers such as *takaful*/insurance, family support and informal moneylenders, in order to determine the extent that they mitigate the financial difficulties faced by households. In the context of this particular study, an understanding of these buffers would have assisted to determine if they do indeed provide the financial support to non-home owners when emergencies occur, resulting in non-home owners being less likely to save for emergencies. If that is not the case, then the earlier contention may well be true, that non home-owners undervalue the importance of saving for emergencies.

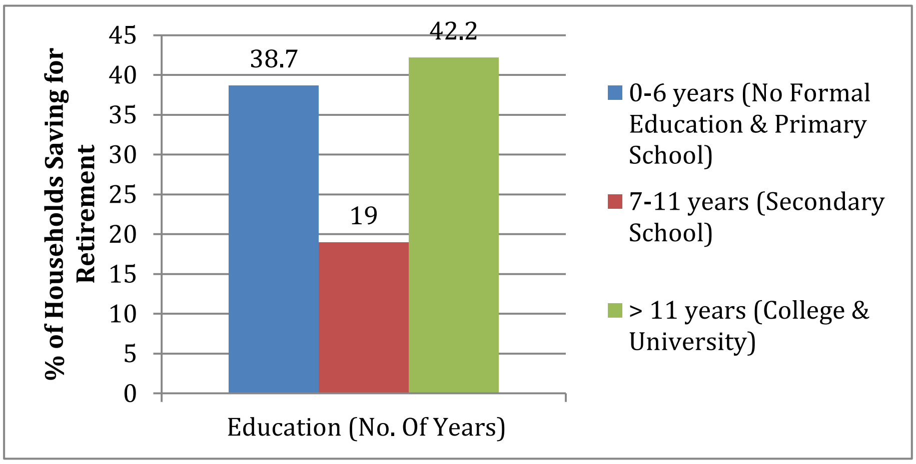
[131] Interestingly, Figure 8.12(b) also highlights that those who attended up to primary education are more likely to save for retirement than those who attended up to secondary education. This could be attributed to other factors such as the period upon entering the formal education system. For instance, one head of household may attend primary school in the 1960s, where accomplishing primary

Figure 8.14 Percent of Households Saving for Retirement, by:

(a) Employment Status (n = 287) [Result: χ^2 (2) = 6.954, $p < .05$]



(b) Education (n = 277) [Result: χ^2 (2) = 16.657, $p < .001$]



(c) Earnings (n = 282) [Result: χ^2 (2) = 19.259, $p < .001$]

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education could be sufficient to land a fairly well paid occupation, compared to another who attended secondary school in the 1990s.

When the logistic regression test was performed, these three variables (education, earnings and employment status) are also found to be statistically significant, as shown in Table 8.14. Further, size of family and marital status are also found to be statistically significant.

Table 8.14 Logistic Regression Predicting Likelihood of Saving for Retirement (n = 265)

	B	SE	df	p	Odds Ratio	95% CI for Odds Ratio Lower	Upper
Gender	.12	.41	1	.77	1.13	.51	2.50
Marital Status	.95	.45	1	**.04**	2.58	1.07	6.26
Employment (Govt. Employee)			2	**.04**			
Employment (Non-Govt. Employee)	.86	.39	1	**.03**	2.37	1.09	5.13
Employment (Student, Retiree, Housewife, Actively looking for work)	-0.34	.46	1	.45	.71	.29	1.74
Size of Family	.08	.05	1	**.09**	1.09	.99	1.20
Earnings (>BND4,000)			2	**.00**			
Earnings (<BND675)	-2.10	.64	1	**.00**	.12	.03	.43
Earnings (BND675-4,000)	-0.08	.36	1	.82	.92	.45	1.88
Home Ownership	.04	.35	1	.91	1.04	.53	2.06
Education (Tertiary)			2	**.00**			
Education (Primary)	.86	.61	1	.16	2.36	.71	7.80
Education (Secondary)	-1.03	.35	1	**.00**	.36	.18	.72
Age	.01	.02	1	.51	1.01	.98	1.04
Constant	-1.42	.82	1	.08	.24		

Note: R^2 = .16 (Cox & Snell), .22 (Nagelkerke). Model $\chi^2(11) = 45.916$, $p < .001$

In terms of education, when comparing those who attended up to secondary education against those who proceeded to tertiary education, the latter are 2.78 times[132] more likely to be saving for retirement than the former. Further, size of family is also statistically significant where, as family size increases, the odds of saving for retirement increases by 1.09[133]. One particularly interesting odds ratio relates to earnings, whereby the odds of saving for retirement are 8.33 times[134] higher for high-income earners than low-income earners, which effectively demonstrates the pivotal importance of earnings, towards saving for retirement.

In terms of employment status, those working in the private sector, the self-employed, working in agriculture or fisheries are 2.37 times more likely to save for retirement than government employees. This result is intriguing and raises questions as to whether one party has a more realistic understanding of their retirement needs than the other, or whether other factors are involved in this association. This is particularly interesting because the Brunei government has recently introduced a Supplementary Contributory Pension scheme, which aims to increase retirement saving, notably for employees on the relatively lower pay scales. Therefore, with respect to this finding, it is possible that government employees are underestimating their retirement needs, more so than non-government employees.

Another insightful finding involves marital status, which has an odds ratio of 2.58. This indicates that controlling for other variables, the odds of saving for retirement are 2.58 times higher for respondents who are single, divorced or widowed, than those who are married. One possible explanation is that married households may have to channel their income to other avenues such as household expenses, compared to single, divorced or widowed heads of households. If such is the case, there is a need to better understand the complexity of households' needs, such as their household expenses, before any programme related to retirement planning can be effectively considered.

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[132] Computed by inverting the odds ratio (1 divided by 0.36). The upper and lower 95.0% confidence interval for this ratio lies between 1.39 and 5.56.

[133] The interpretation of this variable should be undertaken cautiously, as not only is it significant at the 10 percent level but the confidence interval for the odds ratio includes the value of 1, indicating the possibility of equal probability towards saving or not saving for retirement.

[134] Computed by inverting the odds ratio (1 divided by 0.12). The upper and lower 95.0% confidence interval for this ratio lies between 2.33 and 33.33.

Taken as a whole, although the above findings are intuitive in the sense that being employed and earning an income that exceeds basic needs can lead individuals to save for retirement, it does point out the critical need to ensure welfare programmes include creating employable opportunities, to stabilise their short-term finances first. Towards that end, it should also be prudent to further understand the complexity of household needs, notably married households, to effectively create a retirement planning approach within an inclusive IFP framework.

8.4 DETERMINANTS OF FINANCIAL EXCLUSION

The existence of a financial hierarchy within the context of financial exclusion, shown in Section 8.2.2, ponders the question of who are more likely to become excluded from accessing or using bank accounts, credit facilities as well as investment products[135].

> Q_6: What are the variables that significantly determine financial exclusion, related to bank accounts?

In terms of the chi-square test[136] and bank accounts, Figure 8.15 not surprisingly shows that the relatively low-income households, that is those earning less than BND300 a month, are more likely to be excluded from opening bank accounts than the higher income groups. This is not surprising, as whilst opening a basic bank account in Brunei does not require much documentation, it does require a minimum bank deposit, which may pose a challenge for those in the low income category.

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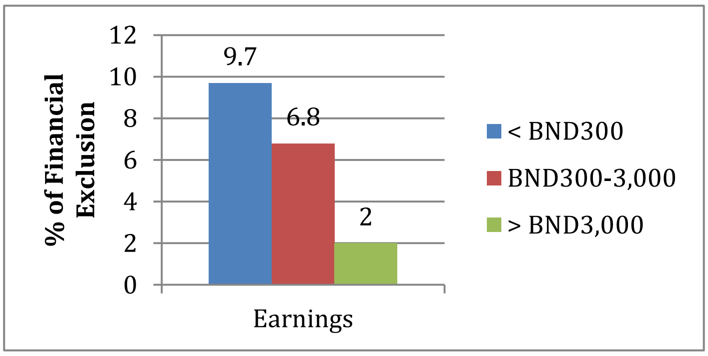
[135] *Takaful*/insurance products are excluded from the analysis, as Section 8.2.2 highlighted that these products were not statistically significant, where the financial hierarchy is concerned.

[136] Following the chi-square test, a logistic regression was also undertaken but the test did not indicate any variables that were statically significant, with the model $\chi^2(10) = 9.930$, $p > .10$.

Figure 8.15 Percent of Households Financially Excluded from Bank Accounts, by Earnings (n = 425) [Result: χ^2 (2) = 5.195, p < .10]:

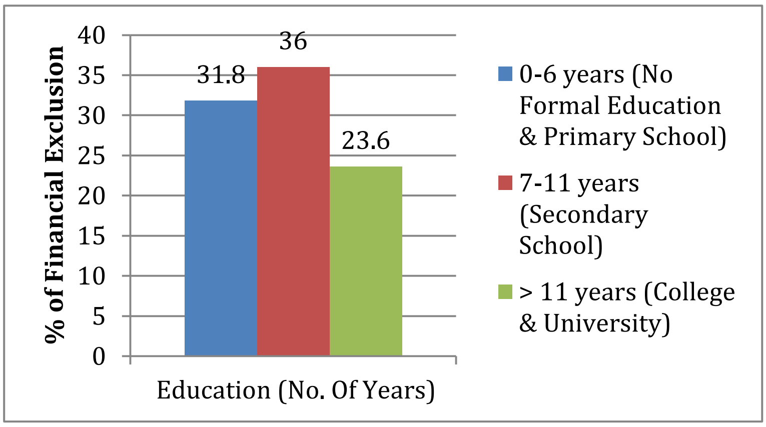


Q$_7$: What are the variables that significantly determine financial exclusion, related to credit facilities?

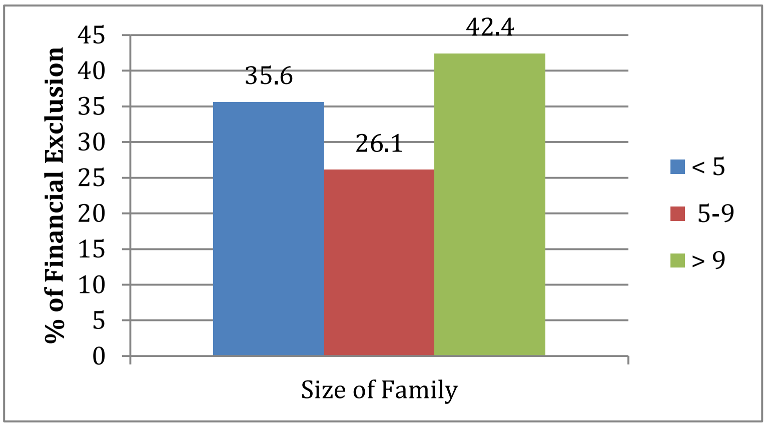
In the context of Q$_7$ and the chi-square results, Figure 8.16 depicts the percentage of households financially excluded from credit facilities, against variables that are found to be statistically significant. Meanwhile, Table 8.15 highlights the result of the logistic regression.

Figure 8.16 Percent of Households Financially Excluded from Credit Facilities, by:

(a) Education (n = 417) [Result: χ^2 (2) = 5.668, p < .10]



(b) Size of Family (n = 427) [Result: χ^2 (2) = 8.697, p < .05]



In terms of the chi-square results, those who did not attend tertiary education as well as households with a relatively large family size of more than 9, compared to those with 5-9 individuals[137], are more likely to be excluded from credit facilities.

In terms of the logistic regression, education and family size are also found to be statistically significant as predictors of those likely to be financially excluded from credit facilities, controlling for other variables. In addition, marital status is also found to be statistically significant.

Concurring with the chi-square results, in the context of education, those with a secondary education are more likely to be excluded from credit facilities, with an odds ratio of 1.92, compared to those possessing a tertiary education. Meanwhile, the perplexity of the family size result shown in the chi-square test between households with less than 5 individuals, and those having 5-9 individuals, is also reflected in the logistic regression result. Those with the relatively larger family size (5-9 individuals) are 0.51 times less likely to be financially excluded from having credit facilities than households with less than 5 individuals.

[137] One interesting aspect of Figure 8.15(b) relates to households with less than 5 individuals, which are more likely to be excluded from credit than those with 5-9 individuals. Other factors may well be involved here; for instance, a household may have a family size of less than 5 individuals but have a higher amount of expenses or existing debt, compared to a household with 5-9 individuals but possess lower amounts of expenses or no existing debt, which essentially helps the latter household qualify for formal credit facilities.

Table 8.15 Logistic Regression Predicting Likelihood of Financial Exclusion on Credit Facilities (n = 404)

	B	SE	df	p	Odds Ratio	95% CI for Odds Ratio Lower	Upper
Gender	-0.33	.32	1	.30	.72	.38	1.34
Age	-0.02	.01	1	.11	.98	.96	1.00
Marital Status	-0.95	.38	1	**.01**	.39	.18	.81
Employment (Govt. Employee)			2	.56			
Employment (Non-Govt. Employee)	.10	.30	1	.73	1.11	.61	2.01
Employment (Student, Retiree, Housewife, Actively looking for work)	.36	.33	1	.29	1.43	.74	2.74
Home Ownership	.05	.26	1	.86	1.05	.63	1.75
Education (Tertiary)			2	**.09**			
Education (Primary)	.55	.42	1	.19	1.73	.76	3.92
Education (Secondary)	.65	.30	1	**.03**	1.92	1.07	3.44
Size of Family (< 5 individuals)			2	**.01**			
Size of Family (5-9 individuals)	-0.67	.28	1	**.02**	.51	.30	.88
Size of Family (> 9 individuals)	.02	.33	1	.96	1.02	.53	1.93
Earnings (>BND3,000)			2	.92			
Earnings (<BND300)	-0.06	.44	1	.88	.94	.40	2.21
Earnings (BND300-3000)	.06	.31	1	.85	1.06	.58	1.94
Constant	.18	.68	1	.79	1.20		

Note: R^2 = .06 (Cox & Snell), .08 (Nagelkerke). Model $\chi^2(12)$ = 24.805, $p < .05$

A particular variable worth noting is marital status, which has an odds ratio of 0.39. Conversely re-stated, this means that the odds of being financially excluded from credit facilities are 2.56 times[138] higher for respondents who are married than those who are single, divorced or widowed. This finding is counter-intuitive against a view that single heads of households face higher levels of financial difficulties, compared to those who are married. One possible explanation is that those who are married may well be earning less than the single heads of household. However, the median earnings data does not support that contention, as the single heads of household (as a group) possess median earnings of BND300, compared to heads of households who are married (BND1,300).

A more plausible explanation is that those who are married may require more credit than single heads of household, or that single heads of household in this research relies more on family assistance or informal moneylenders, when credit is required as compared to those who are married. In any case, the importance of understanding the finer or specific needs of the households is important, as noted earlier when analysing research question 5, especially towards ascertaining what their exact credit needs are. Establishing the specific credit needs of married vis-à-vis non-married heads of households would explain if one group has higher credit needs than the other. Meanwhile, examining the reliance placed upon informal lenders by both sets of households would not only explain any variation in the role of the informal lenders, but also provides valuable perspectives on the wider role of informal lenders in the Bruneian context, especially in light of the government directives related to loans and credit cards described in Chapter 5.

> Q_8: What are the variables that significantly determine financial exclusion, related to investment products?

In the chi-square tests as depicted in Figure 8.17, gender, education, age and earnings are found to be statistically significant, with males, those who undertook higher education, those aged below 35 and relatively higher income earners more likely to be excluded from investment products. However, when controlling for other variables,

[138] Computed by inverting the odds ratio (1 divided by 0.39). The lower and upper 95.0% confidence interval for this ratio lies between 1.24 and 5.56.

the logistic regression indicates age and to some extent, earnings as being significant predictors of exclusion from investment products. In terms of earnings, the result should be cautiously interpreted, for although the table highlights that the difference between low-income and high-income earners is statistically significant, the baseline category is not significant.

Table 8.16 highlights that the high-income earners are 3.33 times[139] more likely to be financially excluded from investment products, more so than low-income earners[140]. Meanwhile, where age is concerned, those aged below 35 are 3.7 times[141] more likely to be excluded from investment products than those aged between 35 and 54. One possible explanation may relate to their disposable income. For instance, the relatively young may have earnings equal to that of older age groups, but may possess higher expenses resulting in a low disposable, net income. Consequently, this means that if the individual applies for an investment product such as fixed deposits, he or she may be unable to meet the conditions involved, such as the initial investment amount[142].

[139] Computed by inverting the odds ratio (1 divided by 0.30). The lower and upper 95.0% confidence interval for this ratio lies between 0.89 and 12.5. The interpretation of this variable should be noted cautiously, as not only is it significant at the 10 percent level but the confidence interval for the odds ratio includes the value of 1, indicating the possibility of equal probability of being or nor being excluded from investment products.

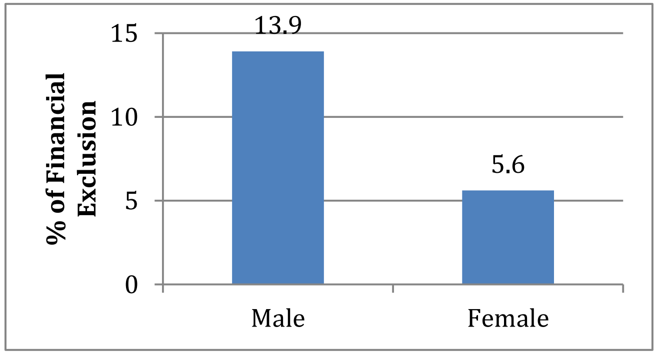
[140] This finding is similar to that of Section 8.2.2, where it goes against the intuition that low-income earners are more likely to be excluded from investment products than high-income earners. However, as highlighted earlier, it is contended that those with relatively lower income have more pressing needs, and investment products are the least of their financial needs.

[141] Computed by inverting the odds ratio (1 divided by 0.27). The lower and upper 95.0% confidence interval for this ratio lies between 1.72 and 8.33.

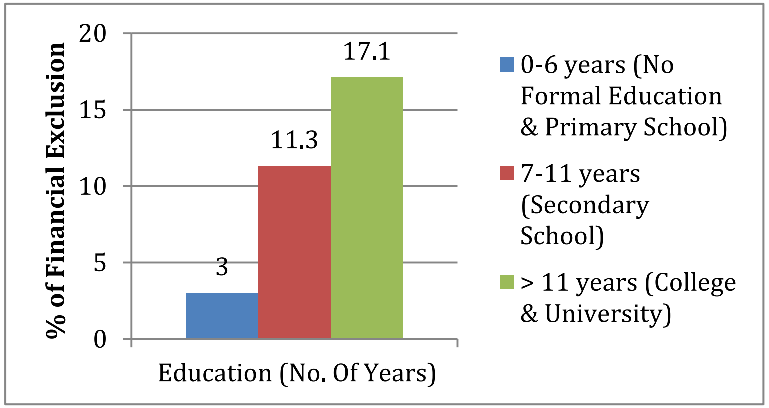
[142] Future research may consider collecting data such as household expenditures to ascertain disposable income, which would provide a further understanding of the relationship between age and investment products, especially in view of the Life Cycle Hypothesis described in Chapter 2, with the relatively younger individuals more likely to dissave. In such a research, it may provide insights as to why those aged below 35 are financially excluded from investment products.

Figure 8.17 Percent of Households Financially Excluded from Investment Products, by:

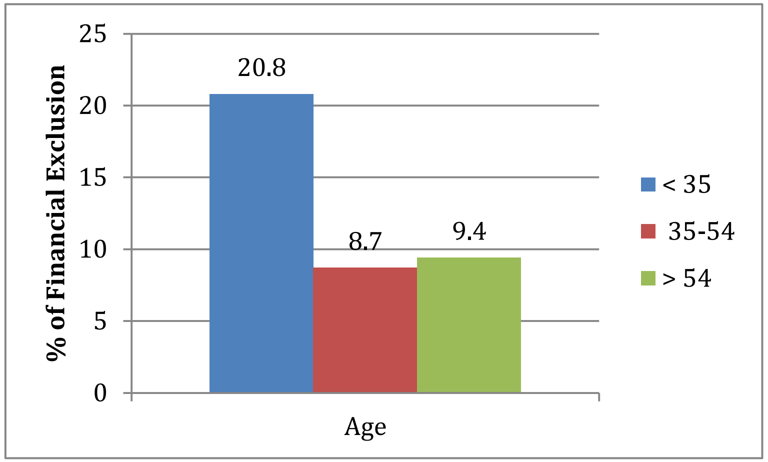
(a) Gender (n = 431) [Result: $\chi^2(1) = 5.288, p < .05$]



(b) Education (n = 420) [Result: $\chi^2(2) = 8.303, p < .05$]



(c) Age (n = 431) [Result: $\chi^2(2) = 10.764, p < .05$]



(d) Earnings (n = 425) [Result: $\chi^2(2) = 7.134, p < .05$]

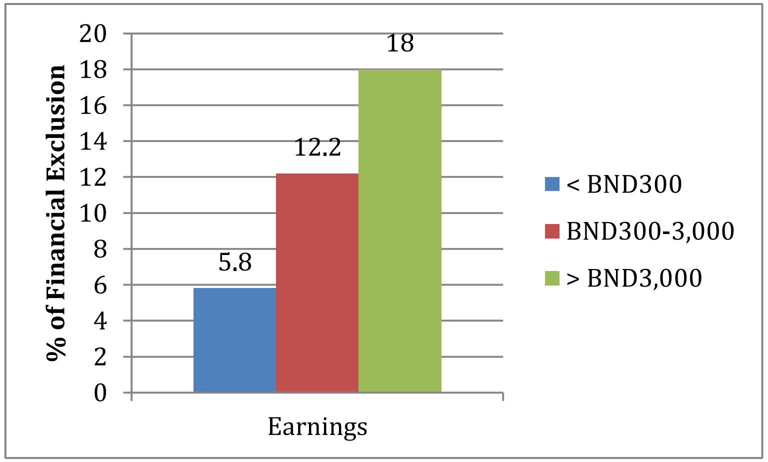


Table 8.16 Logistic Regression Predicting Likelihood of Financial Exclusion on Investment Products (n = 407)

	B	SE	df	P	Odds Ratio	95% CI for Odds Ratio	
						Lower	Upper
Gender	.88	.54	1	.10	2.41	.84	6.94
Marital Status	-0.21	.56	1	.71	.81	.27	2.44
Employment (Govt. Employee)			2	.93			
Employment (Non-Govt. Employee)	-0.14	.43	1	.74	.87	.37	2.03
Employment (Student, Retiree, Housewife, Actively looking for work)	.02	.54	1	.98	1.02	.35	2.94
Home Ownership	.15	.38	1	.70	1.16	.55	2.42
Education (Primary)			2	.25			
Education (Secondary)	1.29	.78	1	.10	3.63	.80	16.60
Education (Tertiary)	1.21	.82	1	.14	3.35	.68	16.57
Age (<35)			2	**.00**			
Age (35-54)	-1.33	.40	1	**.00**	.27	.12	.58
Age (>54)	-0.56	.58	1	.34	.57	.18	1.79
Size of Family	-0.01	.06	1	.87	.99	.89	1.1
Earnings (>BND3,000)			2	.17			
Earnings (<BND300)	-1.19	.67	1	**.07**	.30	.08	1.12
Earnings (BND300-3000)	-0.54	.40	1	.17	.58	.27	1.26
Constant	-2.64	1.13	1	.02	.07		

Note: R^2 = .07 (Cox & Snell), .14 (Nagelkerke). Model $\chi^2(12)$ = 29.404, $p < .05$

8.5 FINANCIAL PLANNING PRACTICES

Financial planning can play a role not only in effectively managing one's finances, but also in reducing instances of self-exclusion. There is therefore a need to understand variables that determine financial planning practices, towards ascertaining who are more likely to undertake money management, emergency planning and retirement planning practices.

> Q_9: What are the variables that significantly determine money management practices?

From the questionnaire, responses to question 3(a-c)[143] of Section C, were used to establish the level of money management practice and tested in a logistic regression.

The logistic regression result, shown in Table 8.17, indicate that controlling for other variables, three variables (gender, age and earnings) are statistically significant in determining the likelihood of undertaking money management practices. It should be noted that differences between households possessing a primary and tertiary education are also statistically significant, although this finding should be cautiously interpreted, as the baseline category is not significant.

Where education is concerned, the odds ratio indicates that respondents with a tertiary education are 2.13 times[144] more likely to undertake money management practices, than those with a primary education.

In terms of earnings, the odds ratio highlights that higher earners are more likely to engage in money management practices. For instance, when comparing the high-income group against middle-income group, those with high income are 2.86 times[145] more likely to adopt money management practices. Further, when comparing the

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[143] The scales were revised to give a score of 0 for 'Never', 1 for 'Rarely', 2 for 'Sometimes', 3 for 'Almost every time' and 4 for 'Every time'. Since the total scores of the three questions summed up to a possible maximum score of 12 points, respondents were then subdivided into those achieving high scores (7-12) and low scores (0-6) which were then regressed against the socio-economic variables.

[144] Computed by inverting the odds ratio (1 divided by 0.47). The lower and upper 95.0% confidence interval for this ratio lies between 0.91 and 5. The interpretation of this variable should be noted cautiously, as not only is it significant at the 10 percent level but the confidence interval for the odds ratio includes the value of 1, indicating the possibility of equal probability of undertaking or not undertaking money management practices.

[145] Computed by inverting the odds ratio (1 divided by 0.35). The lower and upper 95.0% confidence interval for this ratio lies between 1.59 and 5.

high-income group against the low-income group, the high-income group is 5.56 times[146] more likely to perform money management practices than the low-income group.

Where age is concerned, the relatively younger or those aged less than 35 are more likely to perform money management practices. For instance, when contrasting these relatively young with those aged 35-54, the younger group is 2.63 times[147] more likely to manage their personal finances using budgets. Meanwhile, when compared against those aged 55 and above, the younger group is 2.7 times[148] more likely to engage in the personal financial practices. In one aspect, this finding indicates that the young may perhaps be more exposed to financial planning than the relatively older groups, which could be attributed to the prevalence of financial planning in the contemporary sense. In another aspect, the likelihood that the elderly are less likely to be engaged in money management practices should be understood further, for it may highlight issues of financial vulnerability amongst the elderly.

Another interesting result relates to gender. The odds ratio of 0.33 for gender indicates that the odds of undertaking money management practices decreases by 0.33 if the respondent is a male. Conversely re-stated, the odds of undertaking the budgeting practices are 3.03 times[149] higher for females than males, which signify the potential benefit of involving women in money management efforts/initiatives, within households.

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[146] Computed by inverting the odds ratio (1 divided by 0.18). The lower and upper 95.0% confidence interval for this ratio lies between 2.33 and 14.29.
[147] Computed by inverting the odds ratio (1 divided by 0.38). The lower and upper 95.0% confidence interval for this ratio lies between 1.52 and 4.55.
[148] Computed by inverting the odds ratio (1 divided by 0.37). The lower and upper 95.0% confidence interval for this ratio lies between 1.25 and 5.88.
[149] Computed by inverting the odds ratio (1 divided by 0.33). The lower and upper 95.0% confidence interval for this ratio lies between 1.61 and 5.88.

Table 8.17 Logistic Regression Predicting Likelihood of Respondents with High Levels of Money Management Practices (n = 407)

	B	SE	df	p	Odds Ratio	95% CI for Odds Ratio	
						Lower	Upper
Gender	-1.12	.33	1	**.00**	.33	.17	.62
Marital Status	-0.10	.35	1	.78	.91	.46	1.81
Employment (Govt. Employee)			2	.70			
Employment (Non-Govt. Employee)	.25	.30	1	.41	1.28	.71	2.30
Employment (Student, Retiree, Housewife, Actively looking for work)	.07	.35	1	.85	1.07	.53	2.14
Home Ownership	.34	.25	1	.18	1.40	.86	2.28
Size of Family	-0.01	.04	1	.73	.99	.92	1.06
Education (Tertiary)			2	.10			
Education (Primary)	-0.76	.44	1	**.08**	.47	.20	1.10
Education (Secondary)	.06	.28	1	.83	1.06	.61	1.84
Age (<35)			2	**.00**			
Age (35-54)	-0.96	.28	1	**.00**	.38	.22	.66
Age (>54)	-1.00	.40	1	**.01**	.37	.17	.80
Earnings (>BND3,000)			2	**.00**			
Earnings (<BND300)	-1.72	.45	1	**.00**	.18	.07	.43
Earnings (BND300-3000)	-1.04	.30	1	**.00**	.35	.20	.63
Constant	2.09	.54	1	.00	8.09		

Note: R^2 = .16 (Cox & Snell), .21 (Nagelkerke). Model $\chi^2(12)$ = 69.356, $p < .00$

Q_{10}: What are the variables that significantly determine emergency planning practices?

From the questionnaire, responses to question 3(d) of Section C and question 5(a) of Section B were used to ascertain the level of emergency planning practice[150] and tested in a logistic regression. With respect to the logistic regression result, shown in Table 8.18, three variables (home ownership, size of family and earnings) are found to be statistically significant when it comes to determining those engaged in emergency planning practices.

Within the context of size of family, the variable is found to be statistically significant, whereby as family size increases, the odds of undertaking emergency planning increases by 1.09[151]. In terms of home ownership, non-home owners are more likely to undertake emergency planning practices, that is saving for emergencies and having insurance/*takaful* policies, than home owners. More specifically, the odds of engaging in emergency planning practices are 1.93 times higher for non-home owners than home owners[152]. This finding is particularly intriguing, and brings into context the need for further research into the importance and role of home ownership in Brunei, within the sphere of personal finance.

Where emergency planning practices are concerned, another interesting finding relates to earnings. Similar to money management practices, earnings play a significant part in determining those engaged in emergency planning practices. Here, high-income earners are 3.13 and 4.35 times more likely to undertake emergency planning practices than the middle-income[153] and low-income[154] groups respectively.

[150] The scales related to question 3(d) were revised to give a score of 0 for ‘Never’, 1 for ‘Rarely’, 2 for ‘Sometimes’, 3 for ‘Almost every time’ and 4 for ‘Every time’, while for question 5(a), a score of 4 was given for ‘Yes’ and 0 for ‘No’. Since the total scores of the two questions summed up to a possible maximum score of 8 points, respondents were then subdivided into those achieving high scores (5-8) and low scores (0-4) which were then regressed against the socio-economic variables.

[151] The interpretation of this variable should be noted cautiously, as not only is it significant at the 10 percent level but the confidence interval for the odds ratio includes the value of 1, indicating the possibility of equal probability towards engaging in emergency planning or otherwise.

[152] Initially, this finding may appear in conflict with findings in Section 8.3, where it was found that home owners are more likely to save for emergencies than non-home owners. However, comparing the finding in this section vis-à-vis Section 8.3 should be cautiously undertaken, as the sample in Section 8.3 is restricted to respondents who are savers.

[153] Computed by inverting the odds ratio (1 divided by 0.32). The lower and upper 95.0% confidence interval for this ratio lies between 1.54 and 6.25.

[154] Computed by inverting the odds ratio (1 divided by 0.23). The lower and upper 95.0% confidence interval for this ratio lies between 1.28 and 14.29.

Table 8.18 Logistic Regression Predicting Likelihood of Respondents with High Levels of Emergency Planning Practices (n = 407)

	B	SE	df	p	Odds Ratio	95% CI for Odds Ratio	
						Lower	**Upper**
Gender	-0.19	.40	1	.64	.83	.38	1.81
Marital Status	-0.14	.48	1	.76	.87	.34	2.21
Employment (Govt. Employee)			2	.30			
Employment (Non-Govt. Employee)	-0.36	.37	1	.33	.70	.34	1.45
Employment (Student, Retiree, Housewife, Actively looking for work)	-0.76	.52	1	.14	.47	.17	1.29
Home Ownership	.66	.33	1	**.05**	1.93	1.01	3.67
Size of Family	.09	.05	1	**.09**	1.09	.99	1.20
Education (Tertiary)			2	.25			
Education (Primary)	-1.17	.80	1	.14	.31	.06	1.50
Education (Secondary)	.10	.34	1	.78	1.10	.56	2.17
Age (<35)			2	.86			
Age (35-54)	-0.16	.35	1	.64	.85	.43	1.68
Age (>54)	-0.28	.59	1	.63	.75	.24	2.40
Earnings (>BND3,000)			2	**.00**			
Earnings (<BND300)	-1.48	.63	1	**.02**	.23	.07	.78
Earnings (BND300-3000)	-1.13	.35	1	**.00**	.32	.16	.65
Constant	-1.12	.65	1	.08	.33		

Note: R^2 = .10 (Cox & Snell), .17 (Nagelkerke). Model $\chi^2(12) = 41.198$, $p < .00$

Q_{11}: What are the variables that significantly determine retirement planning practices?

From the questionnaire, responses to question 5(b) of Section B were used to ascertain the level of retirement planning and tested in a logistic regression.

The findings in Table 8.19 highlight earnings as the only significant variable towards determining the practice of retirement planning, controlling for other variables. The odds ratio indicates that high-income earners are 2.08 and 2.7 times more likely to plan for retirement, compared to middle-income[155] and low-income[156] earners respectively.

The prevalence of earnings as a significant variable in all three financial planning practices is not only intuitive but also critical in creating an inclusive framework for IFP. It is intuitive in the sense that, without earnings, there is little motivation to plan for one's finances in the first place. Meanwhile, in terms of an inclusive IFP framework, the challenge is to construct a framework where a net deficit household has a stable source of income and only then can the household save for its respective goals.

155 Computed by inverting the odds ratio (1 divided by 0.48). The lower and upper 95.0% confidence interval for this ratio lies between 1.19 and 3.7.

156 Computed by inverting the odds ratio (1 divided by 0.37). The lower and upper 95.0% confidence interval for this ratio lies between 1.15 and 6.25.

Table 8.19 Logistic Regression Predicting Likelihood of Respondents Planning for Retirement (n = 407)

	B	SE	df	p	Odds Ratio	95% CI for Odds Ratio	
						Lower	Upper
Gender	.36	.33	1	.27	1.44	.76	2.74
Marital Status	.56	.35	1	.12	1.75	.87	3.50
Employment (Govt. Employee)			2	.37			
Employment (Non-Govt. Employee)	-0.22	.29	1	.45	.80	.45	1.43
Employment (Student, Retiree, Housewife, Actively looking for work)	-0.47	.34	1	.17	.63	.32	1.22
Home Ownership	.11	.26	1	.67	1.12	.67	1.86
Size of Family	.04	.04	1	.28	1.04	.97	1.12
Education (Tertiary)			2	.74			
Education (Primary)	-0.31	.42	1	.45	.73	.32	1.66
Education (Secondary)	-0.16	.27	1	.57	.85	.50	1.46
Age	.01	.01	1	.46	1.01	.99	1.03
Earnings (>BND3,000)			2	**.02**			
Earnings (<BND300)	-1.00	.44	1	**.02**	.37	.16	.87
Earnings (BND300-3000)	-0.74	.29	1	**.01**	.48	.27	.84
Constant	-0.93	.70	1	.18	.40		

Note: R^2 = .06 (Cox & Snell), .08 (Nagelkerke). Model $\chi^2(11) = 24.288$, $p < .05$

8.6 FINANCIAL PLANNING KNOWLEDGE

> Q_{12}: What are the variables that significantly determine money management knowledge?
>
> Q_{13}: What are the variables that significantly determine emergency planning knowledge?
>
> Q_{14}: What are the variables that significantly determine retirement planning knowledge?

Logistic regressions were performed to provide insights onto Q_{12}, Q_{13} and Q_{14}, with the socio-economic variables regressed against responses to the financial planning scenarios (Question 2-4), posed in Section F of the questionnaire. However, with regard to the emergency planning scenario, the result of the logistic regression is not included as the probability for the residual chi-square, when the variables are not in the equation, is not statistically significant[157].

For the money management and retirement planning questions, the regression results are shown in Table 8.20 and 8.21 respectively. For the money management scenario, earnings are found to be statistically significant in determining those who are more likely to answer the scenario correctly. Here, high-income earners are 2.63 and 3.03 times more likely to answer the money management scenario correctly than middle-income[158] and low-income[159] earners respectively.

Meanwhile for retirement planning, home ownership and earnings are found to be significant. In terms of home ownership, the odds ratio of 0.47 indicates that by owning a home, the odds of answering the retirement planning scenario correctly decreases by 0.47. Meanwhile, in terms of earnings, high-income earners are 4.75 times[160] more likely to answer the retirement planning scenario correctly than low-income earners.

[157] This, according to Field (2009) means that adding all the variables into the model would not affect the predictive power of the model.
[158] Computed by inverting the odds ratio (1 divided by 0.38). The lower and upper 95.0% confidence interval for this ratio lies between 1.47 and 4.55.
[159] Computed by inverting the odds ratio (1 divided by 0.33). The lower and upper 95.0% confidence interval for this ratio lies between 1.30 and 7.14.
[160] Computed by inverting the odds ratio (1 divided by 0.21). The lower and upper 95.0% confidence interval for this ratio lies between 1.47 and 16.67.

Table 8.20 Logistic Regression Predicting Likelihood of Respondents Having a Correct Response to Money Management Scenario (n = 407)

	B	SE	df	p	Odds Ratio	95% CI for Odds Ratio	
						Lower	**Upper**
Gender	.16	.32	1	.62	1.17	.62	2.20
Marital Status	.14	.36	1	.69	1.15	.57	2.32
Employment (Govt. Employee)			2	.59			
Employment (Non-Govt. Employee)	.10	.30	1	.74	1.10	.61	1.99
Employment (Student, Retiree, Housewife, Actively looking for work)	.34	.33	1	.31	1.40	.73	2.68
Home Ownership	.19	.26	1	.47	1.21	.72	2.00
Size of Family	.00	.04	1	.99	1.00	.93	1.07
Age	.00	.01	1	.79	1.00	.98	1.03
Education (Tertiary)			2	.53			
Education (Primary)	-0.47	.42	1	.26	.62	.27	1.43
Education (Secondary)	-0.15	.28	1	.59	.86	.50	1.48
Earnings (>BND3,000)			2	**.00**			
Earnings (<BND300)	-1.11	.43	1	**.01**	.33	.14	.77
Earnings (BND300-3000)	-0.96	.29	1	**.00**	.38	.22	.68
Constant	-0.36	.68	1	.60	.70		

Note: R^2 = .05 (Cox & Snell), .07 (Nagelkerke). Model $\chi^2(11) = 19.344$, $p < .10$

Table 8.21 Logistic Regression Predicting Likelihood of Respondents Having a Correct Response to Retirement Planning Scenario (n = 407)

	B	SE	df	p	Odds Ratio	95% CI for Odds Ratio	
						Lower	Upper
Gender	-0.02	.43	1	.97	.98	.42	2.27
Marital Status	-0.70	.56	1	.21	.49	.16	1.49
Employment (Govt. Employee)			2	.72			
Employment (Non-Govt. Employee)	.29	.37	1	.43	1.34	.65	2.74
Employment (Student, Retiree, Housewife, Actively looking for work)	.17	.42	1	.68	1.19	.52	2.70
Home Ownership	-0.75	.35	1	**.03**	.47	.24	.93
Size of Family	.05	.05	1	.36	1.05	.95	1.15
Age	.03	.02	1	.10	1.03	.99	1.06
Education (Tertiary)			2	.45			
Education (Primary)	-0.76	.60	1	.21	.47	.14	1.53
Education (Secondary)	-0.16	.34	1	.65	.85	.44	1.67
Earnings (>BND3,000)			2	**.03**			
Earnings (<BND300)	-1.57	.61	1	**.01**	.21	.06	.68
Earnings (BND300-3000)	-0.57	.35	1	.11	.57	.28	1.13
Constant	-2.06	.78	1	.01	.13		

Note: R^2 = .06 (Cox & Snell), .10 (Nagelkerke). Model $\chi^2(11) = 24.778$, $p < .05$

Overall, similar to financial planning practice, the significance of earnings in relation to financial planning knowledge is prevalent and cannot be overstated. One may contend that the more one earns, the higher the likelihood of individuals to be more active in their personal finance, whether it is through acquiring financial knowledge and/or through actual financial practice. At the same time, it is ironic that those who are relatively more adept at financial planning knowledge and practice are the high-income earners, whilst those who may need it the most, are the low-income earners and those in poverty. This highlights the essential point that any financial programmes aimed at mitigating poverty should inculcate financial planning practice and knowledge-related activities.

8.7 CONCLUSION

In this chapter, a hierarchy of financial needs is established. Firstly, with regards to saving motives, those at the higher end of the hierarchy are more likely to save for retirement, emergencies and purchase of assets, while those at the lower level are more likely to save for daily expenses, children/grandchildren’s education and goods/services. Secondly, with respect to financial exclusion, those at the upper level are more likely to be excluded from investment products while those at the lower level are more likely to be excluded from accessing bank accounts and credit facilities.

Aside from ascertaining financial hierarchies, logistic regressions were performed to ascertain determinants of saving motives, financial exclusion as well as financial planning practice and knowledge. Table 8.22 provides a summative review of the logistic regression results.

In the realm of saving motives, notably towards understanding who are more likely to save for emergencies and asset purchases, home ownership provided interesting insights whereby it was found that non-home owners are more likely to save for assets (such as housing) and less likely to save for emergencies. Even when financial planning practices were analysed, the variable of ‘home ownership’ once again re-surfaced, with non-home owners more likely to have higher scores in emergency planning than home owners.

Table 8.22 Summary of Logistic Regression Results

		Earnings	Home Ownership	Gender	Marital Status	Employment Status	Education	Size of Family	Age
1.	Saving for Emergencies		X						X
2.	Saving for Asset Purchases	X*	X				X*		X
3.	Saving for Retirement	X			X	X	X	X	
4.	Financial Exclusion – Credit Facilities				X		X	X	
5.	Financial Exclusion – Investment Products	X*							X
6.	Financial Planning Practice – Money Management	X		X			X*		X
7.	Financial Planning Practice – Emergency Planning	X	X					X	
8.	Financial Planning Practice – Retirement Planning	X							
9.	Financial Planning Knowledge – Money Management	X							
10.	Financial Planning Knowledge – Retirement Planning	X	X						

Note: 'X' signifies there is an association between the socio-economic variable and the respective saving motive/financial product/financial planning practice or knowledge.

*The baseline category of this variable is not statistically significant, even though differences between the baseline category and a non-baseline category are found to be statistically significant.

In terms of saving for retirement, the significance of employment and earnings underlines the need to ensure welfare programmes designed for the poor include facilitating employable opportunities, towards stabilising the household's short-term finances. Once the short-term finances of net deficit households are stable, only then can any retirement or long-term financial planning approach be effectively undertaken.

In determining those more likely to be excluded from financial products, this chapter has provided several insights. For instance, where bank accounts are concerned, the importance of earnings towards opening a bank account should not be underestimated, as a bank account is considered as a passport to access other financial products. Meanwhile, in terms of financial exclusion from credit facilities, the association between marital status and credit facilities indicates the importance of evaluating the finer needs of households, to better understand their household and credit priorities.

Finally, in terms of financial planning, both in terms of practice and knowledge, the significance of earnings is prevalent, with high-income earners more likely to engage in financial planning and be more knowledgeable, compared to lower income groups. This signifies that firstly, any financial programmes aimed at poverty should consider incorporating financial planning and knowledge-related activities, and secondly, that in the consideration of any inclusive IFP framework, the challenge is to construct a framework where a net deficit household has a stable source of income and the capacity, if not the support, to save for its respective goals.

Chapter 9
QUALITATIVE ANALYSIS OF FINANCIAL EXCLUSION, FINANCIAL EMERGENCIES AND *ZAKAT* DISBURSEMENT

9.1 INTRODUCTION

Aside from the questionnaire, the findings from which were highlighted in Chapters 7 and 8, semi-structured interviews were carried out with 39 welfare recipients to establish the factors that restrict their access to, and usage of, the following financial products: bank accounts, credit facilities, *takaful*/insurance and investment products. In effect, such findings would provide insights into the reasons why respondents are financially excluded from using the respective financial products. As indicated in Chapter 6, coding was done using In Vivo Coding and Initial Coding during the first cycle, followed by Focused Coding in the second cycle.

Aside from financial exclusion, this chapter will also highlight the approaches that respondents pursue when faced with financial emergencies. Understanding the ways that net deficit respondents deal with financial emergencies will assist towards creating an effective emergency planning approach within an inclusive Islamic Financial Planning (IFP) framework.

Finally, selected aspects of the current *zakat* disbursement process and opinions of *zakat* recipients highlighted during the interviews have been analysed within a personal finance context. Such information may well assist to ascertain the potential role of the *zakat* institution within an inclusive IFP framework.

9.2 FINANCIAL EXCLUSION

To understand issues relevant to financial exclusion, further than that provided by the structured interviews/questionnaires in Chapter 8, the semi-structured interviews with 39 welfare recipients were qualitatively analysed to identify factors that inhibit respondents from having bank accounts, credit facilities, insurance/*takaful* products and investment products.

9.2.1 Financial Exclusion – Bank Accounts

Table 9.1 shows the responses of interviewees who highlighted issues or challenges towards accessing savings or current accounts.

Table 9.1 Financial Exclusion on Bank Accounts

Research Question	Q_{15}: What are the factors affecting the accessibility and usage of bank accounts?
Focused Coding	**Subtheme/Remarks**
1	Affordability, when opening a bank account in order to receive *zakat* disbursement.
2	Affordability, when opening a bank account to save for goals.
Concluding theme:	The main issue with accessing a bank account lies in affordability, notably towards opening a bank account in order to receive *zakat* disbursements from MUIB.

As Table 9.1 indicates, the issue of financial exclusion where bank accounts are concerned pertains to affordability in general. More specifically, when the responses were examined, two aspects of affordability became evident. The first aspect, highlighted in Table 9.2, relates to opening a bank account for the purpose of receiving *zakat* disbursements.

Table 9.2 Focused Coding No. 1 for Research Question 15

Subtheme	*Affordability, when opening a bank account in order to receive zakat disbursement.*
Interview No.[161]	**Remarks**
NS1, HS12, HS15, HS18, HS37, HS40, NH26	Borrow money from family members or friends
HS26	Wait for payday before opening bank account

[161] Note that the two letters in front of the interview numbers refer to the initials of the interviewer who undertook the earlier structured interview.

To receive *zakat* disbursements in Brunei, recipients are required to open at least a basic bank account with an Islamic bank[162], which generally requires a minimum opening deposit of BND50. For certain respondents, such as those who already have an existing Islamic bank account from their previous employment, this does not pose a problem. However, for others who neither have an existing Islamic bank account nor have sufficient funds to open one, this provides certain difficulties on the eve of receiving any *zakat* disbursements.

Respondents who highlighted such difficulties would often borrow the required amount from family members or friends, and repay the amount once the *zakat* disbursement had been made. In other cases, the would-be recipient would have to wait for payday before opening an account.

In instances where borrowing is undertaken, once the monthly *zakat* disbursement is received in the account, the individual is left with the *zakat* amount less BND100, available for immediate use. The reduction in the net amount is because BND50 has to be repaid to the family member or friend while another BND50 is locked into the account, as the opening deposit cannot be withdrawn unless the account is closed. For example, a household receiving a *zakat* disbursement of BND250 per month would essentially be left with only BND150 in that first month, to spend for household needs. This example serves to illustrate the issue of affordability relating to the opening of a bank account.

Table 9.3 Focused Coding No. 2 for Research Question 15

Subtheme	*Affordability, when opening a bank account to save for goals.*
Interview No.	**Remarks**
HS39	Unable to open joint account for child's future education.

Issues of affordability do not only exist when opening an account to receive *zakat* disbursements, they also exist when attempting to foster a saving behaviour. In one particular instance, a respondent considered opening a joint account for himself and his child, intended as a savings account for his child's future education and as a

[162] As stated by numerous respondents during the interviews, it is a requirement to have an account in an Islamic bank to receive *zakat* disbursements.

means to ‘force’ him to save in that account. However, as the funds in his own bank account were deemed insufficient, the joint account application was not successful.

It should be noted that this second aspect of affordability is somewhat different from the first aspect shown in Table 9.2, for the first aspect focuses on money management or short-term needs, whilst this second aspect of affordability relates to future goals.

9.2.2 Financial Exclusion – Credit Facilities

Out of the four categories of financial products, it is important to note that credit facilities were the most widely discussed category during the interviews. This signifies not only the importance of credit to those who applied for it, but also underlines the need to understand the challenges faced in attaining it. In terms of accessing credit, the reasons for not having a particular credit facility can be grouped into three main factors, as highlighted in Table 9.4.

Table 9.4 Financial Exclusion on Credit Facilities

Research Question	Q_{16}: What are the factors affecting the accessibility and usage of credit facilities?
Focused Coding	**Subtheme/Remarks**
1	Affordability or cost concerns, towards acquiring credit.
2	Existence of outstanding loans, which restricts ability to acquire credit.
3	Conditions of the credit facility.
Concluding theme:	Affordability is the main factor contributing towards exclusion from credit facilities, followed closely by conditions related to the credit facilities and existence of outstanding loans.

One of the most persistent responses, if not the main reason, as to why a particular credit facility was not obtained relates to affordability. For instance, as shown in Table 9.5, those who stated a particular credit facility as being important, but had never applied for them, are likely to note insufficient funds or a lack of earnings as being the main reason for not having the credit facility. Meanwhile, those who considered applying for such a facility, but decided not to, highlighted affordability in the context of having no regular source of funds, low salary levels or concerns on meeting the monthly repayment amounts. For those who did apply but were unsuccessful, stated their low salary level or the fact that he/she was a daily paid employee, as the reasons for the application to be rejected.

Table 9.5 Focused Coding No. 1 for Research Question 16

Subtheme	*Affordability, or costs concerns towards acquiring credit.*
Interview No.	**Remarks**
HS4, HS12, HS18-19, HS24-25, HS27, HS39, HS41, ZA31	Considered applying for credit but decided not to, due to a lack of a regular source of income/funds, low salary levels, or concerns on meeting high monthly payments.
HS6, HS14, HS21, HS23, HS31	Applied for credit but was unsuccessful, due to low salary levels or being a daily paid employee.
HS4, HS11-15, HS26, HS28, HS31, HS36, ZA31	Considered a credit facility as being important, but never applied, due to insufficient funds or lack of earnings.
HS14, HS37, HS39, NH26, NS1, ZA31	Faced issues maintaining credit, due to loss of employment or being retired.
HS6	Faced issues maintaining credit, although still in employment but the repayment amount is deemed too high.

Affordability or cost concerns persisted, even for those who successfully applied for a credit facility. In one scenario there are those who face problems maintaining the loan due to a loss of employment or when they have retired. In another instance, the interviewee is in employment but the repayment amount is too high. The above circumstances highlight that the issue of affordability, or the cost associated with a credit facility, is not only pertinent when applying for credit, but also when it comes to maintaining the monthly installments.

Table 9.6 Focused Coding No. 2 for Research Question 16

Subtheme	*Existence of outstanding loans, which restricts ability to acquire credit.*
Interview No.	**Remarks**
HS14, HS29	Respondents being debtor of outstanding loan.
HS42	Guarantor being debtor of outstanding loan.

There are two situations where an outstanding loan owed to a financial institution becomes a barrier to a credit facility. Firstly, the borrowers themselves who have unsettled or outstanding loans are unlikely to obtain a further credit facility. Secondly, individuals who became guarantors of loans may also face difficulties obtaining credit. As one interviewee highlighted, being unable to pay for a loan of which he was a guarantor, led him to become 'blacklisted' and unable to apply for his own loan/financing.

Table 9.7 Focused Coding No. 3 for Research Question 16

Subtheme	*Conditions of the credit facility.*
Interview No.	**Remarks**
HS16-18, HS28, HS38-39, HS41, NH26, NS1	Condition of consumer loan/financing, requiring 1-2 guarantors.
HF16	Condition of business loan/financing, requiring asset as collateral.
HS41, NH26	Specific condition of requiring government employee as guarantor.
ZA31	Age concerns

Another factor that inhibits access to credit is the requirements or conditions of the credit facility. Here, the need to provide 1-2 guarantors is frequently highlighted as a significant challenge. When it comes to applying for a consumer loan/financing, this condition includes requiring the guarantor's salary to be above a certain threshold, and the salary to be received in the same bank as the loan applicant. Meanwhile, when applying for a business loan/financing, the need to have land as collateral also posed a challenge.

Even those who successfully found a willing guarantor highlighted the difficulty of finding one who was a government employee, a particular requirement for one interviewees' loan. Meanwhile, another respondent who found a guarantor for his loan application stated that working in the government sector was a factor that assisted him in finding a guarantor, with the perceived notion that government workers are in a relatively stable employment, compared to those in the private sector.

Aside from guarantors, the issue of age is also important when it comes to being able to access a credit facility, with the elderly potentially left in a vulnerable position. For instance, one elderly respondent on a pension had considered applying for a credit facility but decided not to, believing that due to his age he would not be successful.

9.2.3 Financial Exclusion – *Takaful*/Insurance Products

Where *takaful* or insurance is concerned, there were three main factors highlighted by respondents that affected their access to and usage of the products, noted in Table 9.8.

Table 9.8 Financial Exclusion on *Takaful*/Insurance Products

Research Question	Q_{17}: What are the factors affecting the accessibility and usage of *takaful*/insurance products?
Focused Coding	**Subtheme/Remarks**
1	Affordability in attaining *takaful*/insurance products.
2	Timing of funds and payments.
3	Lack of knowledge
Concluding theme:	Similar to other categories of financial products, affordability is the main theme towards acquiring *takaful*/insurance products.

Table 9.9 Focused Coding No. 1 for Research Question 17

Subtheme	*Affordability in attaining takaful/insurance products.*
Interview No.	**Remarks**
HS4, HS11-16, HS25-26, HS28, HS31, HS36, HS39, NH26, ZA31	Lack of funds or permanent job, to apply for *takaful*/insurance products.
HS35, HS37, NH26	Concerns of maintaining/paying monthly premiums.

One of the main reasons for not having an insurance or *takaful* product is affordability, with respondents stating their lack of funds or lack of permanent employment as factors for them never having applied for the product, despite its perceived importance, or for them being unsuccessful in the application process.

For others, it is the concerns of paying monthly premiums which affects their willingness to apply for insurance/*takaful*. Even for one interviewee who successfully applied for an insurance/*takaful* product, the monthly premiums posed a difficulty to maintain, to the extent that the payments changed from monthly to bi-monthly, and finally, annually.

Table 9.10 Focused Coding No. 2 for Research Question 17

Subtheme	*Timing of funds and payments.*
Interview No.	**Remarks**
HS22	Mismatch between timing of pensions and monthly premiums.

For another interviewee, the mismatch between monthly payments and the timing of the receipt of funds led to difficulty in maintaining a *takaful* product. Here, the interviewee had to close five *takaful* policies related to his children's education, as he received his regular pension disbursement in periods that were greater than a month, while the premiums needed to be paid monthly. It is this mismatch between when his pension was received and when the premiums needed to be paid that resulted in the closure of the *takaful* policies.

Table 9.11 Focused Coding No. 3 for Research Question 17

Subtheme	*Lack of knowledge*
Interview No.	**Remarks**
HS5	Never thought about undertaking insurance/*takaful*.
HS10	Does not understand insurance/*takaful* products.

Lack of knowledge of insurance/*takaful*, and its importance also act as barriers to inclusion. For example, one interviewee highlighted that she never thought about obtaining insurance/*takaful* products, while another stated that she does not understand insurance/*takaful* products, noting further that her late father never used them. In these circumstances, the lack of knowledge or awareness of the importance of *takaful*/insurance appears to be a form of self-exclusion, when in fact such products may effectively serve as a buffer during emergencies.

9.2.4 Financial Exclusion – Investment Products

Investments products were the least discussed financial category during the interviews, with affordability being analysed as the main factor restricting access to and usage of the products, as shown in Table 9.12.

Table 9.12 Financial Exclusion on Investment Products

Research Question	Q_{18}: What are the factors affecting the accessibility and usage of investment products?
Focused Coding	**Subtheme/Remarks**
1	Affordability or cost concerns
2	Minimum amount required for investment
Concluding theme:	Although respondents rarely discussed investment products during the interview, the issue of affordability is pertinent, as a factor affecting access to investment products, followed by being unable to reach the minimum amount required for investment.

Table 9.13 Focused Coding No. 1 for Research Question 18

Subtheme	*Affordability or cost concerns*
Interview No.	**Remarks**
HS4, HS11-16, HS25-26, HS28, HS31, HS35-36, ZA31	Considered an investment product as being important, but never applied, due to limited funds.

With earnings and available funds being used for more important household needs, affordability is the common response that inhibits the usage of investment products, even when interviewees highlighted investment products as being of relative importance.

Aside from affordability, condition such as the minimum requirement comes into play. In one instance, as listed in Table 9.14, an interviewee whom considered applying for a fixed deposit could not save up to the required minimum investment amount, as the sum saved was frequently used for more pressing needs. It could be argued that should the minimum amount be lowered, such investment products would be accessible to relatively lower income households, seeking to invest for their future goals.

Table 9.14 Focused Coding No. 2 for Research Question 18

Subtheme	Minimum amount required for investment
Interview No.	**Remarks**
NH26	Not able to reach minimum amount required, to apply for investment product.

All in all, the barriers to inclusion described above, with regards to all four categories of financial products, should be considered in creating any welfare programmes, as without considering the financial needs and products used by the recipients, there is a risk of promoting self-exclusion and creating over-reliance on welfare mechanisms.

9.3 APPROACHES TO EMERGENCY EVENTS

Aside from issues related to financial exclusion, respondents were also asked how they would respond to emergency situations or times of financial necessity. Their responses would be considered as invaluable input towards establishing an emergency planning approach within an inclusive IFP framework. With that in mind, the analyses of the responses were categorised into three main approaches that respondents took, when faced with emergencies, as shown in Table 9.15.

Table 9.15 Approaches to Financial Emergencies

Question	How do you manage financial emergencies?
Focused Coding	**Sub-theme/Remarks**
1	Borrowing or use of credit facilities.
2	Managing cash flows
3	Non-financial alternatives
Concluding theme:	Borrowing from informal and formal sources of funds is the common approach which respondents take to mitigate emergencies, followed by managing one’s cash flows and in certain cases, undertaking non-financial alternatives such as leaving the item un-repaired.

Table 9.16 Focused Coding No. 1

Subtheme	*Borrowing or use of credit facilities.*
Interview No.	**Remarks**
HS3, HS12-15, HS17-19, HS21, HS25-26, HS29, HS31, HS35-37, HS39, HS42, NH26	Borrowing from family members and friends. Repayments are generally interest-free, where only the principal amount needs to be repaid.
HS17, HS19	Borrowing from informal moneylenders, at which the repayment involves both the principal and interest.
HS16, HS39, NH26	Borrowing from institutional lenders, in the form of *ar-Rahn* facilities or conventional pawnshops.
HS31	Borrowing from institutional lenders, through the usage of credit cards to mitigate emergencies.
HS1, HS40	Borrowing from unstated sources. Here, the respondent did not elaborate on the nature of the lender.

In times of financial necessities, respondent's consideration of credit or borrowing is divided into two, categorised according to the source of credit: (1) Informal sources and (2) Institutional lenders. In the case of the former, informal sources refer to borrowing from family members, friends and colleagues, among others. It should be noted that borrowing from informal sources represents the most frequent answer provided by respondents during the interviews. Further, when borrowing is attained from family members and relatives, it highlights the important role that family support plays in times of need. In terms of repayment, when borrowing from family members and friends, only the principal amount is repaid. However, there are cases where credit is attained through informal moneylenders, which involve interest-bearing loans, creating further hardship, as the interest has to be paid on top of the remaining principal that is owed.

The other form of lending is through institutional lenders. Here, a number of respondents commented on pawning their valuables to buy daily needs or to pay for their children's school needs. In another instance, one respondent highlighted the previous usage of a credit card to assist during emergencies.

Where pawning is concerned, it is interesting that a number of the respondents highlighted they did not pawn their valuables at an Islamic bank, but instead resorted to conventional pawnshops. For one respondent, lengthy procedures and the long waiting time were viewed as a deterrent towards pawning goods at a bank, resulting in the usage of a conventional pawnshop instead.

Table 9.17 Focused Coding No. 2

Subtheme	*Managing cash flows*
Interview No.	**Remarks**
HS4, HS17, NH26	Increase cash inflow
HS11, HS16, HF16	Minimise expenditures/cash outflow
HS4-5, HS10, HS19, HS25	Use savings

From a money management perspective, some respondents rely on increasing their cash inflow either by selling off their household goods to obtain the necessary funds, or increasing their earnings through fishing, or collecting cans and wires. Aside from increasing cash inflow, other respondents explained their attempts to minimise expenditures by consuming relatively cheaper food or finding low-cost solutions, such as fixing durable goods themselves or paying a friend to fix a car, as opposed to sending it to a workshop. For the relatively stable households, should such emergencies occur, their approach is to resort to the savings that they had built up.

Table 9.18 Focused Coding No. 3

Subtheme	*Non-financial alternatives*
Interview No.	**Remarks**
HS11, HS21-23, HS25, HS27, HS30, HS38, HS41, NS1, SE6, NH26, HF16	Leave item un-repaired, if the item or asset involved in the emergency is a durable good/asset, until funds are readily available.
HS21, HS41	Use alternative asset, if asset/durable good cannot be repaired due to lack of funds.

In cases where the emergency's costs were too high and related to durable goods or assets such as electrical goods or a car, more often than not the approach was to leave them un-repaired until, for instance, cash was readily available. For some, the items are left unrepaired for an indefinite time period, while others would wait for funds from MUIB or their pension funds. In other cases, alternatives were sought depending on the specific emergency, such as borrowing a sibling's or parents' car, when one's own car is in need of repair.

9.4 ANALYSIS ON *ZAKAT* DISBURSEMENT

In addition to financial exclusion and emergency approaches, certain aspects of the current *zakat* disbursement process and opinions of *zakat* recipients were analysed within a personal finance context. It is hoped that the analysis would assist to establish the potential role of the *zakat* institution, within an inclusive IFP framework; an aspect explored further in Chapter 10. With that in mind, two areas related to *zakat* were identified, as outlined in Table 9.19.

Table 9.19 Analysis of *Zakat* Disbursement

Question	What are the elements within the *zakat* disbursement process that should be considered, within an inclusive IFP framework?
Focused Coding	**Subtheme/Remarks**
1	Waiting time between applying and receiving *zakat* disbursement.
2	Applying to multiple welfare institutions.
Concluding theme:	Towards enhancing the *zakat* disbursement process further, the waiting time and welfare applications to both MUIB and JAPEM are noted as key elements to consider within an inclusive IFP framework.

During the semi-structured interviews, a significant number of respondents touched upon the waiting time between applying and receiving the *zakat* funds. On the one hand, some respondents said they understood that this process does take time, while on the other hand, it is worrying that these net deficit households who were already in need of financial assistance, will need to wait even longer before *zakat* is disbursed. Therefore, there is undoubtedly a need, where *zakat* is concerned, to understand the causes for the prolonged waiting time.

Table 9.20 Focused Coding No. 1

Subtheme	*Waiting time between applying and receiving zakat disbursement.*
Interview No.	**Remarks**
NS1	Waiting time (Less than 6 months)
HS10, HS13, HS15, HS17, HS31, HS36, HS41-42	Waiting time (6 months to 1 year)
SE6, HF16, HS1, HS26, HS29	Waiting time (More than 1 year)
HS41	Financial assistance whilst awaiting PROPAZ confirmation.

Aside from the waiting time to receive *zakat* disbursement, one opinion was related to waiting for confirmation to join PROPAZ, a training/employment empowerment programme initiated by MUIB. Here, the respondent queried whether it was possible to receive financial assistance while waiting for her application to be confirmed, to join the PROPAZ programme.

Table 9.21 Focused Coding No. 2

Subtheme	*Applying to multiple welfare institutions.*
Interview No.	**Remarks**
HS14-15, HS28, HS39-40	Apply to multiple welfare institutions, at the same time.
HS31	Applying for both, and accepting assistance from whichever institution that replied first.

It is generally known in Brunei, that MUIB (Brunei Islamic Religious Council) and JAPEM (Community Development Department) are the two main institutions that play pivotal roles where welfare issues are concerned. However, respondents will only receive financial assistance from one institution at a single point in time, as there are mechanisms in place to ensure a person will not receive financial assistance from both institutions during the same time period.

During the semi-structured interviews with welfare recipients, it is interesting to note that some respondents appear to apply to both institutions at near simultaneous times.

However, it is not known whether all the respondents knew that they would only receive approval from one institution, and not both.

Nonetheless, at least one respondent knew he/she would only receive approval from one institution. Here, the respondent shared that the intention was to apply to both institutions, and whichever institution replied positively first would be the institution to be accepted by the respondent. At this juncture, it is intriguing to note that, if other welfare applicants follow the same approach, two resulting issues may well occur.

Firstly, applying to both institutions involves cost and efforts for the welfare applicant. For example, *zakat* applicants require the signature of the head of the village, as well as that of the respective school at which his/her child is attending, on top of the costs of attaining the required documentation or making copies of them. For certain households with an already tight budget, application to multiple welfare institutions is financially costly.

Secondly, from the welfare institution's perspective, both MUIB and JAPEM would have additional workload, compared to a situation where the welfare recipient only applies to only one particular organisation. Should the welfare recipient apply to only one particular organisation, the stress placed on both institutions' resources would be lessened, especially if this factor contributed to the long waiting time described earlier, with regards to *zakat* disbursement in Table 9.20.

With regards to the above matter, there is perhaps a need to consider the creation of a single avenue, where welfare applicants can proceed to, without putting strains on themselves financially, as well as straining the resources of the welfare institutions.

9.5 CONCLUSION

Towards understanding the factors that contribute to financial exclusion, not surprisingly the issue of affordability is commonly featured as the main restriction towards using financial products, notably where bank accounts and credit facilities are concerned. Access to bank accounts are emphasised not only because this particular financial product is a pre-requisite towards receiving *zakat* disbursement, but also that it is considered as a passport towards attaining other financial products.

As for credit facilities, the fact that this particular category of product is the most widely discussed category throughout the interviews is worth noting, highlighting the importance of a credit mechanism that meets the needs of welfare recipients, within an inclusive IFP framework. Not only do matters related to affordability need to be considered but conditions of loan/financing, such as guarantors require consideration as well.

Where financial emergencies are concerned, the insights provided by the interviewees showed the extent of their usage of informal and formal financial mechanisms to assist them in their time of need. In the context of formal mechanisms, the role of the *ar-Rahn* facility in Islamic banks needs to be analysed further, since there seems to be a need to review the attractiveness or otherwise of the facility, vis-à-vis conventional pawnshops.

Finally, the preceding pages also described certain current *zakat* disbursement processes and opinions of *zakat* recipients, with the intention of ascertaining the role of the *zakat* institution, in an inclusive IFP framework. With that in mind, the waiting time for *zakat* disbursement and the challenges of applying to multiple welfare institutions were highlighted, as factors that need to be considered in order to ensure the rights of *zakat* recipients are given due consideration.

Chapter 10

CONTEXTUALISATION OF FINDINGS: AN INCLUSIVE ISLAMIC FINANCIAL PLANNING FRAMEWORK

10.1 INTRODUCTION

The preceding chapters have provided insights on the characteristics of net surplus and net deficit respondents, as well as explored determinants of saving motives, financial exclusion, financial planning practice and knowledge. Similarly, it has also been demonstrated that a hierarchy of financial needs exists, where saving motives and financial exclusion are concerned.

Aside from the quantitative analysis, findings from the semi-structured interviews have highlighted factors contributing to financial exclusion, as well as providing perspectives on emergency measures undertaken by net deficit respondents and outlined selected aspects of *zakat* disbursements in Brunei.

In this particular chapter, an attempt will be made to contextualise these quantitative and qualitative findings to explore an inclusive Islamic Financial Planning (IFP) framework. In general, the contextualisation of findings of any particular research is usually compared with the existing literature. However, in this case, there is no existing literature on an inclusive financial planning approach, let alone an inclusive Islamic financial planning approach. Wth that in mind, to explore an inclusive IFP framework and due to the inductive nature of this research, the contextualisation of the findings of this study is undertaken as follows: Firstly, the financial needs of net deficit households will be described. Such an understanding of their financial needs brings us to the second aspect of the chapter, to examine if the current financial products and services offered by Islamic financial institutions (IFIs), *zakat* and *awqaf* institutions are sufficient to meet their needs. Thirdly, an inclusive Islamic Financial Planning framework is discussed for net deficit and net surplus households. Following this, the context of financial literacy is highlighted, towards identifying its role and importance within the realm of an inclusive IFP framework. Finally, challenges directly inferred from the findings are described, which require due consideration in any attempts at establishing an inclusive IFP approach.

10.2 FINANCIAL NEEDS OF NET DEFICIT HOUSEHOLDS

Before detailing how an inclusive IFP framework could look in the context of Brunei, it is prudent at the onset to describe the financial needs of net deficit households, as found in the previous empirical chapters. Understanding those needs is crucial as they can assist in determining how an inclusive IFP approach should look.

10.2.1 Saving Motives

Where the financial needs of net deficit households are concerned, one of the proxies used within this study is saving motives. Here, two analyses related to saving motives are highlighted. Firstly, results from Section 7.4.2 (Chapter 7) showed that for net deficit households, the top three reasons for saving are in order to deal with:

(1) Children's/grandchildren's education
(2) Emergencies/unexpected needs
(3) Ordinary living expenses/bills

Secondly, in Section 8.2.1.1 (Chapter 8), when the ranked saving motives were re-coded and analysed vis-à-vis net surplus respondents, it was found that there are three categories where net deficit respondents are more likely to save, compared to net surplus respondents. In no particular order, these categories are:

- Saving for children's/grandchildren's education
- Saving for purchase of goods and service
- Saving for daily/living expenses

From the above, it is clear that there are some saving motives that appear in both forms of analysis. One of the saving motives that appears in both analyses is saving for children's or grandchildren's education. On one hand, it is comforting to know that those in poverty or with low incomes acknowledge the importance of education for their children or grandchildren. On the other hand, it would be particularly worrying should their attempts to save for their children or grandchildren fall short of expectations, or were insufficient to meet the cost of education.

Aside from children's/grandchildren's education, another persistent need highlighted is saving for daily/living expenses. This finding concurs with Xiao and Noring (1994), who highlighted that low-income households in the US and those in the lowest 25 percent of net worth, were more likely to report saving for daily expenses[163].

10.2.2 Financial Exclusion

Aside from saving motives, the concept of financial exclusion can also be viewed as proxies for non-fulfilment of financial needs. Here, financial needs refer to the need of net deficit respondents to access or use a financial product or service. Section 8.2.2.1 (Chapter 8) highlighted two categories of financial products, from which net deficit households are more likely to be excluded, compared to net surplus households: bank accounts and credit facilities.

Taking both proxies of financial needs (saving motives and financial exclusion) into account, one may state that the creation of an inclusive IFP approach must consider the provision of bank accounts and credit facilities that assist towards meeting living expenses and children's/grandchildren's education needs. In other words, an inclusive IFP approach should include the following:

1. Bank accounts, for the purpose of saving for daily/living expenses.
2. Bank accounts, for the purpose of saving for children's/grandchildren's education.
3. Credit facilities, which assist consumers to meet their daily/living expenses.
4. Credit facilities, which assist consumers to meet their children's/grandchildren's education costs.

Aside from the above types of financial products and their intended usage, two additional types of product are:

5. Bank accounts, for the purpose of saving for emergencies.
6. Credit facilities, which assist consumers to meet their emergency needs.

[163] Although the context of this subsection involves net deficit households and not low-income households per se, the argument still holds. This is because Section 7.2 (Chapter 7) highlights that net deficit households are noted to possess distinctly lower earnings than net surplus households. Further, Section 8.2.1.2 (Chapter 8) highlights that low-income households are more likely to save for daily/living expenses than higher income households. In other words, it is contended that net deficit households here pertains to low-income households as well.

These latter two types should be included, as Section 10.2.1 re-iterated that saving for emergencies is ranked as the second most important reason for saving, by net deficit respondents. These six types of financial products will be addressed further in Section 10.4.1, when describing an inclusive IFP framework for net deficit households.

10.3 ROLE OF INSTITUTIONS TOWARDS MEETING FINANCIAL NEEDS

The previous section has suggested that saving motives and financial exclusion can be taken as proxies of financial needs. In this section, IFIs, *zakat* and *awqaf* institutions in Brunei are critically assessed, in an attempt to establish whether their financial products are able to fulfil these financial needs.

> Q_{19}: Are current financial products and services offered by **Islamic Financial Institutions** sufficient to meet the financial needs of net deficit households? If not, what alternatives or approaches are feasible?

In the context of mainstream financial markets, IFIs in Brunei provide an Islamic alternative to conventional banking. Therefore, it is incumbent to identify if IFIs in Brunei are able to meet the financial needs of net deficit households. Towards fulfilling their financial needs, there are two main types of financial products that net deficit households require, as highlighted in the previous section.

i. Bank Accounts

The first type of financial product to be considered is bank accounts. One of the instances where bank accounts were discussed during the semi-structured interviews relates to Table 9.16 (Chapter 9). The findings indicated that in times of financial emergencies, the relatively stable, net deficit households use savings from their bank accounts to assist them during emergencies.

Furthermore, Section 9.2.1 (Chapter 9) indicates that an Islamic bank account is a requisite towards receiving *zakat* disbursement, and yet the semi-structured interviews showed that opening a bank account poses a challenge for some respondents, in terms of meeting the BND50 minimum deposit requirement. This particular finding concurs with the *chi*-square results depicted in Figure 8.15 (Chapter 8), which showed that households earning less than BND300 were more likely to be excluded from bank accounts than higher income groups.

Taken together, the issue of meeting this particular financial need relates to affordability, and it appears that to a certain extent, IFIs are not able to fully meet the needs of net deficit households towards opening a bank account, at least not until the minimum deposit is available. This particular aspect of financial exclusion relates to price exclusion, highlighted in Section 3.2 (Chapter 3), whereby respondents are excluded as a result of affordability of financial products. For example, Hogarth and O'Donnell's (1999) analysis of a US Survey of Consumer Finance suggested that the main reason for not having a checking account is the lack of funds. It should also be noted that the role of income in determining access to bank accounts is not uncommon. For instance, as described in Section 3.5 (Chapter 3), the Financial Services Authority (2000) analysed studies related to financial exclusion from bank accounts and other financial products, and stated that exclusion is essentially a function of household income.

Where IFIs are concerned, to mitigate this issue for net deficit respondents in Brunei, one possible avenue is for IFIs to forgo this particular requirement, as part of their Corporate Social Responsibility drive, when net deficit households open a bank account.

ii. Credit Facility

The second type of financial product that net deficit households require as a financial need relates to credit. Table 9.4 - 9.5 (Chapter 9) showed that one of the more persistent factors related to financial exclusion from credit, lies with affordability. Another factor shown in Table 9.7 (Chapter 9) relates to the requirement of guarantors in the case of consumer loans, and to some extent, land as collateral for business loans. This collateral/guarantor requirement relates to condition exclusion, noted in Section 3.2 (Chapter 3), whereby exclusion from using financial products exists due to unattractive conditions.

The issue of affordability and collateral is not uncommon for banks, both Islamic and conventional. Therefore, it may be more effective if the financial needs of net deficit households for credit facilities are met via microfinance approaches, which will be highlighted further in the next section.

In the case of *ar-Rahn*, it is noted in Table 9.15 (Chapter 9) that some net deficit respondents undertook pawning as an approach to deal with financial emergencies. However, it is found that more often than not, the respondents highlighted they did not pawn their valuables at an Islamic bank, but instead resorted to conventional pawnshops. Therefore, it would be interesting to understand the distinct differences between the two, in terms of operations and any challenges that hinder customers from pawning with Islamic banks. In other words, identifying differences between conventional pawnshops and an Islamic bank's *ar-Rahn* section may identify financial exclusion issues for IFIs, or at the very least, identify areas that can be further improved.

> Q_{20}: Are current financial products and services offered by ***zakat*** **and** ***awqaf*** **institutions** sufficient to meet the financial needs of net deficit households? If not, what alternatives or approaches are feasible?

In the previous section, IFIs were highlighted as the mainstream financial institutions for Islamic financial products and services. Nonetheless, in instances where IFIs are not able to meet the needs of net deficit households, these households attempted to meet their needs through institutions such as MUIB (Brunei Islamic Religious Council). Here the financial assistance provided by MUIB is analysed, towards ascertaining whether they are able to meet the financial needs of net deficit households.

i. Bank Accounts

In Brunei, MUIB as a government-related welfare institution does not provide banking facilities to the public, and therefore its capacity to meet the financial needs of net deficit respondents, in terms of opening bank accounts, is limited. However, towards mitigating the challenge of opening a bank account, for those facing difficulties in meeting the minimum deposit requirement, it is incumbent for MUIB to provide an alternative solution. For instance, MUIB could from the onset use *zakat* funds as the minimum bank deposit, to protect net deficit respondents from facing hardship when attempting to open a bank account.

ii. Credit Facility

Where productive loans are concerned, it is pertinent to explore the possibility of MUIB and JAPEM, to review and enhance further their existing entrepreneurial assistance/credit schemes, described in Section 5.5.1.2 and Section 5.6.1 (Chapter 5) respectively, along the lines of microfinance initiatives as undertaken in other countries such as Indonesia. The experience of MUIB and JAPEM in their respective schemes and existing relationship with net deficit respondents, in terms of their needs and issues faced, could prove crucial to the success of microfinance initiatives. The need to review the schemes is pertinent for MUIB, as Abdullah (2009) in Section 5.5.1.2 (Chapter 5), noted that the entrepreneurial scheme had achieved limited success.

In the case of consumer loans, where individuals need credit to purchase goods, or to mitigate emergencies, the general opinion during the semi-structured interviews as highlighted in Section 9.2.2 (Chapter 9), is that mainstream financial institutions are unlikely to provide them with credit due to loan-related issues, such as affordability, guarantors and collateral. Hence the high incidence of net deficit respondents resorting to informal sources of credit, as highlighted in Table 9.16 (Chapter 9).

To bridge the gap between those excluded from mainstream financial institutions in general, and credit facilities in particular, it would perhaps be beneficial for welfare institutions to create a single subsidiary corporation designed not only to collect *zakat*[164] but also to be involved with *awqaf* and microfinance initiatives. For instance, in terms of consumer loans, this may involve providing benevolent loans to net deficit respondents, using proceeds from *awqaf* to purchase daily goods, to meet education costs and other aspects deemed as necessities. Aside from the consumer loans, the

[164] In comparing the structure of *zakat* institutions in Malaysia, Pakistan and South Africa, Ahmed (2004) highlights that the creation of subsidiary corporations to collect *zakat* can be advantageous, in terms of efficiency and outcome, compared to government agencies. The author highlights that much can be learned from successful non-profit organisations that carry out charitable work. This includes creating efficient management procedures and governance structure that build up trust, reputation and goodwill, which potentially can increase the numbers of donors and size of amounts donated. In terms of management procedures, governments are likely to be at a disadvantage, as challenges to being sufficiently flexible and creating innovative solutions may exist due to bureaucratic tendencies of government agencies, which generally follow a decision-making process distinct from corporations.
In addition, with regards to raising *zakat*, corporations and non-profit organisations are also at an advantage over government agencies, as the need to financially survive and prosper is stronger in the former than the latter. Consequently, corporations are more likely to be flexible and creative in collecting *zakat* revenues (Ahmed 2004).

provision of productive loans or micro financing discussed earlier can also be subsumed under the subsidiary corporation.

Towards mitigating financial exclusion, this subsidiary corporation should be viewed as an institution that bridges the gap between the unbanked and mainstream financial institution, with the ultimate goal of assisting net deficit respondents to move from requiring financial assistance through *zakat*, *awqaf* and microfinance initiatives to eventually becoming customers of mainstream Islamic financial institutions.

The emphasis of viewing this subsidiary corporation as a bridge towards mainstream IFIs is important for two reasons. Firstly, the subsidiary corporation ideally would not only provide financial assistance or facilities, but it would also proactively address, with a view to mitigating, self-exclusion issues related to financial products. For instance, Table 9.11 (Chapter 9) shows that certain net deficit respondents appear to exclude themselves from using *takaful* products, due to their lack of knowledge. Therefore, the design of *takaful* products by the subsidiary corporation should incorporate ways to mitigate this financial exclusion issue[165]. In other words, the subsidiary corporation facilitates the transition to mainstream IFIs, by mitigating self-exclusion issues.

Secondly, without the pivotal emphasis on being a temporary stopover for net deficit respondents, these respondents or ‘customers’ may become overly dependent on the quasi-welfare subsidiary corporation and it may also lead to self-exclusion, where individuals feel that the mainstream financial products or institutions are not for them. Hence the importance for net deficit respondents to view the corporation as a ‘transitional bridge’, in order to access Islamic financial products offered by mainstream IFIs.

[165] An example of how self-exclusion issues can be mitigated through the design of *takaful* products is elaborated further in Section 10.4.1.2.

Figure 10.1 Role of the Subsidiary Corporation as a 'Transitional Bridge' for Net Deficit Respondents

The creation of a single subsidiary corporation, converging on certain activities of MUIB and JAPEM would also mitigate certain issues highlighted by the net deficit respondents during the semi-structured interviews. For instance, Table 9.21 (Chapter 9) indicated that having two welfare institutions meant that some respondents are potentially unaware that they would only be allowed to receive assistance from one institution. Other respondents, who are aware, still continue to apply to both MUIB and JAPEM. In both cases, this results in higher costs and effort not only for the net deficit respondents but also the welfare institutions. In contrast, by having a single organisation, which is the subsidiary corporation, it would not only reduce hardship for net deficit respondents in terms of expenses and effort, but also reduce the costs and workload of the welfare institutions involved.

The creation of a single subsidiary corporation may also improve the waiting time for net deficit respondents. This refers to the time spent by net deficit respondents between applying for and receiving financial assistance; Table 9.20 (Chapter 9) showed that a significant portion of respondents stated the waiting period for receiving assistance from MUIB is between 6 months and over a year. The waiting period may be reduced with the existence of a single corporation, through the synergistic effects of having only one organisation managing the decision-making process. For instance, from a process perspective, the waiting time could be improved as there would be no further need to have checking mechanisms, designed to ensure applicants do not receive financial assistance from both welfare institutions, as there would be only one involved.

Essentially, irrespective of the processes that contribute to the long waiting time, one may contend that the subsidiary corporation is in a better position to reduce the waiting time, compared to government agencies, as the urge to financially survive and thrive is more pronounced for corporations than government agencies.

10.4 AN INCLUSIVE ISLAMIC FINANCIAL PLANNING FRAMEWORK

With regards to the findings in the preceding chapters, as well as the analysis in Sections 10.2 and 10.3, these findings not only affirm the existence of a hierarchical form of financial planning, but adds further substance to the hierarchical structure shown in Figure 4.4 (Chapter 4), notably where net deficit households are concerned.

The existence of a hierarchical form, for the sample of respondents in Brunei, can be understood from the findings related to financial needs. The findings related to saving motives in Section 8.2.1 (Chapter 8) highlighted that households with smaller financial resources are more likely to save for daily/living expenses and children's/grandchildren's education, whilst those with larger resources are more likely to save for retirement and emergencies. Further, in terms of financial exclusion discussed in Section 8.2.2 (Chapter 8), those with smaller financial resources are more likely to be excluded from bank accounts, while those with larger resources are excluded from investment products. These sets of findings add to the contention of a hierarchical form of financial planning, whereby in this study, net deficit respondents are more likely to be at the lower hierarchical structure, excluded from bank accounts whilst attempting to save for daily/living expenses and their children's/grandchildren's education. These financial products and saving motives reflect short-term financial needs and generally fall under the realm of money management. Meanwhile, those at the upper level of the hierarchy are the net surplus, with a desire to save for retirement and emergencies, and likely to be excluded from investment products, of which are financial products commonly associated with long-term goals such as retirement. Taken from that financial planning perspective, there is evidence to support the assertion that a hierarchical form of financial planning can be identified, for the respondents under study.

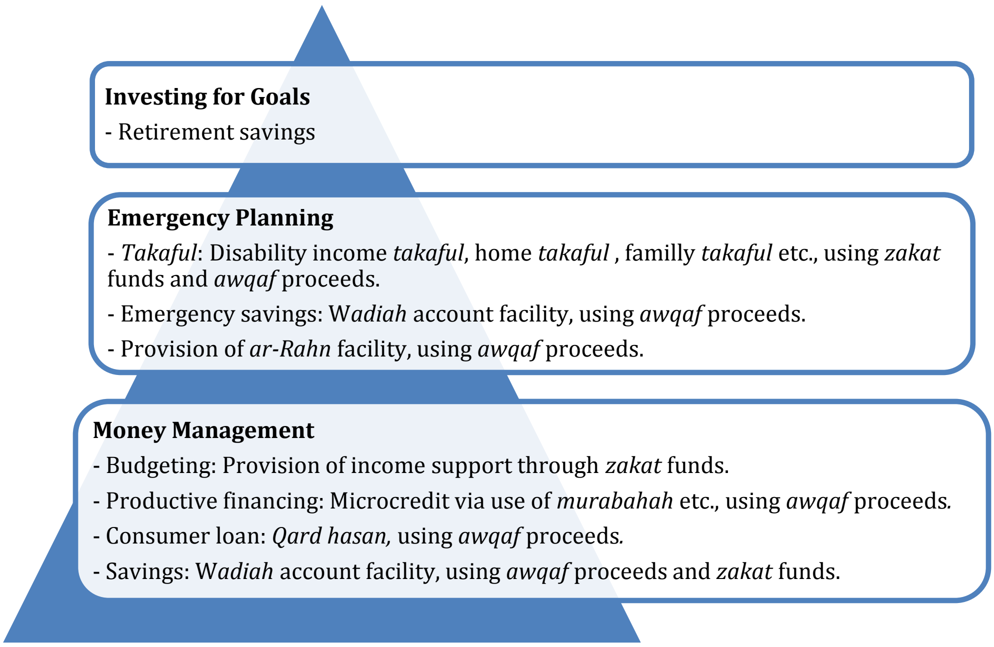
Before describing an inclusive IFP framework in further detail, that is adding further substance from findings of the preceding chapters, it should be noted that the financial approaches within the framework differ for net surplus and net deficit households, due to the differing characteristics and financial needs of the households. To that end, the inclusive IFP framework is divided into two, with Sections 10.4.1 and 10.4.2 indicating the approaches for net deficit and net surplus households respectively.

10.4.1 Net Deficit Households

> Q_{21}: For net deficit households, what approaches can be formulated to create an inclusive Islamic Financial Planning framework, taking the potential of *zakat* and *awqaf* into account?

Figure 10.2 is a refinement of the inclusive Islamic Financial Planning hierarchy introduced in Section 4.6 (Chapter 4), where the notion of an inclusive IFP approach was introduced. The refinements are based upon the findings in Chapters 8 and 9.

Figure 10.2 Islamic Financial Planning for Net Deficit Households[166]



Following Maslow's Hierarchy of Needs theory described in Section 2.4.1 (Chapter 2), when applied to the financial issues central to this research, the notion is that needs at the lower hierarchical level must be fulfilled first before higher levels of financial planning needs are fully considered.

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[166] *Takaful* is included in the hierarchy due to its importance within emergency planning. It should be noted however that *takaful* is not discussed in the preceding sections, as it was found not to be statistically significant, where the relevant findings in Section 8.2.2 (Chapter 8) are concerned.

10.4.1.1 Money management

(a) Budgeting:

In the context of money management, the overriding goal is to stabilise the financial situation of net deficit households, and it is prudent at the onset to understand where the net deficit households stand, from a cash flow perspective. Through budgeting or the creation of an Income Statement[167] such as that described in Section 2.2.1.3 (Chapter 2), a social financial planner may assess the overall cash flow of a net deficit household, and assist in determining the amount needed for cash inflow, to at least break even with cash outflow. Any shortfall could be met at least initially through income support, which would ideally be attained from *zakat* funds. The provision of income support, though for a temporary period of time, should not be computed or undertaken lightly; Ahmed (2004) points out that by providing income support, this will avoid situations where financial capital or other productive assets are diverted to personal use.

At this stage, it is pivotal that other initiatives such as training, job apprenticeships, financial capital, trade tools and other approaches that can enhance the productivity and earnings of net deficit households are implemented, to work alongside the IFP approach, to ensure that net deficit households are able to gradually meet their financial shortfall, and subsequently, become less dependent on income support. The importance of these initiatives, in order for net deficit households to increase their earnings, cannot be overstated, as the importance of earnings is overwhelmingly clear, in the context of financial planning practice and knowledge. As shown in Section 8.5 and Section 8.6 (Chapter 8), high-income earners are more likely to practice all three aspects of financial planning (money management, emergency planning and retirement planning), and answer the financial knowledge scenarios related to money management and retirement planning correctly, than low-income earners[168].

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[167] The items in the Income Statement should only involve basic needs, whereby the term 'basic needs' relates to the definition offered by Siddiqi (1996) in Section 4.4.2.1 (Chapter 4), which includes food, shelter/housing, clothing, aid for trade tools, electricity, education for the illiterate, medical care, transport and relevant survival needs of the blind.

[168] The importance of such initiatives that enhance earnings cannot be overemphasised, as Table 8.14 (Chapter 8) shows that the odds of saving for retirement is 8.33 times higher for high-income earners than low-income earners, confirming further the importance of earnings in the long-run. Aside from the importance of these initiatives in enhancing the earning capabilities of the productive poor, having varying strategies for the productive poor vis-à-vis the non-productive poor is important to avoid the moral hazard of creating beneficiaries that become dependent upon income support, as well as to

Where budgeting is concerned, it is interesting that Table 8.17 (Chapter 8) showed that females are three times more likely to undertake money management/budgeting practices than male respondents. Although it can be argued that most of these female respondents are single heads of households, that is either single, divorced or widowed, nonetheless it is worthwhile to suggest including women in the budgeting process of an inclusive IFP approach.

(b) Productive financing:

In terms of productive loans or where financing for micro-entrepreneurs is concerned, proceeds from *awqaf* funds can be distributed using *murabahah* and the like, within the realm of contemporary micro-financing using approaches such as group lending as mentioned in Section 3.4 (Chapter 3). In this context, the entrepreneurial schemes provided by MUIB and JAPEM could be refined under the umbrella of the subsidiary corporation, to better serve the microfinance customers.

(c) Consumer loans:

For consumer financing, net deficit households who face financial issues in line with their financial needs, as discussed in Section 10.2, such as the purchase of daily goods and meeting their children's education costs, could be provided with *qard hasan* facilities. Such a facility could be provided using *awqaf* proceeds, notably in cases where emergency funds are insufficient or do not exist. Emergency situations, such as repairs to houses due to natural disasters, should also be considered on a case-to-case basis.

In both cases of financing, be it for productive or consumer financing, it is important to consider alternatives for providing a guarantor, as this condition/feature of financing contributes towards financial exclusion, as noted in Table 9.7 (Chapter 9). Here, assessing the best practices of microfinance institutions should be undertaken in order to consider feasible approaches, where Brunei is concerned.

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ensure the self-respect of net deficit respondents is not affected, as highlighted in Section 4.4.3.1 (Chapter 4).

(d) Savings:

In terms of saving products, *awqaf* proceeds and perhaps *zakat* funds could be incorporated with innovative saving programmes that motivate or reward individuals who save. The aim of any such saving programme is to help net deficit individuals to expedite their savings to achieve their target goal, while at the same time nurturing the habit to save on a regular basis. For instance, the subsidiary corporation could create a distinct saving product aimed at assisting net deficit respondents to save for their children's short-term needs, such as next year's education costs. Here, the net deficit household would be encouraged to save regularly into a *wadiah* account facility, on a monthly basis until next year, and any amount that is not withdrawn throughout the year will be matched equitably, using *awqaf* proceeds or *zakat* funds.

In the context of saving programmes, an important point to recall is the importance of creating varying financial solutions, even within groupings of low-income households. As described in Section 2.5.1 (Chapter 2), where the first Saving Gateway pilot in the UK was concerned, it was found that financial incentives, such as matched savings, are highly popular for those relatively better off, while those facing more dire financial issues suggested that an increase in earnings would positively affect their decision to save. In other words, there is a need to create and consider various saving programmes or incentivising approaches that may work effectively for differing groups of net deficit households.

It is also worthwhile to note the demand for and potential benefit of having multiple accounts or sub-accounts for a single net deficit respondent. Table 9.3 (Chapter 9) highlighted an instance where a particular respondent attempted to create a separate bank account to 'force' him to save for his child's education. This approach appears to be in line with what Rabinovich and Webley's (2007) deemed as effective saving techniques that are psychologically easier and require minimal daily effort. In their study, as described in Section 2.4.1 (Chapter 2), successful savers were found to use techniques such as automatically transferring a portion of income to another bank account.

Although in the instance mentioned in Table 9.3 (Chapter 9), there is no evidence to suggest the individual plans to automatically transfer a portion of income to the joint account, it seems to be a pivotal step towards inculcating a saving behaviour to assist the individual to save, at least psychologically. This is also in line with the Behavioral Life-Cycle hypothesis noted in Section 2.4.1 (Chapter 2), notably in the context of mental accounting, whereby having different bank accounts does not only make spending physically complicated, but it also creates a different psychological view of money, especially if one distinguishes 'wealth' accounts from 'income' accounts (Rabinovich and Webley 2007; Shefrin and Thaler 1988).

Therefore, where an inclusive IFP approach is concerned, creating multiple sub-accounts for a net deficit respondent or 'customer' may well yield positive results when it comes to assisting individuals to save. Furthermore, as highlighted in Section 10.2, an inclusive IFP approach should include three types of bank accounts in line with the financial needs of net deficit respondents; that is for daily/living expenses, for emergency savings and for children/grandchildren's expenses. As an example, the subsidiary *zakat*/*waqf*-based corporation mentioned earlier may collaborate with Islamic banks to create three sub-accounts for the following purposes:

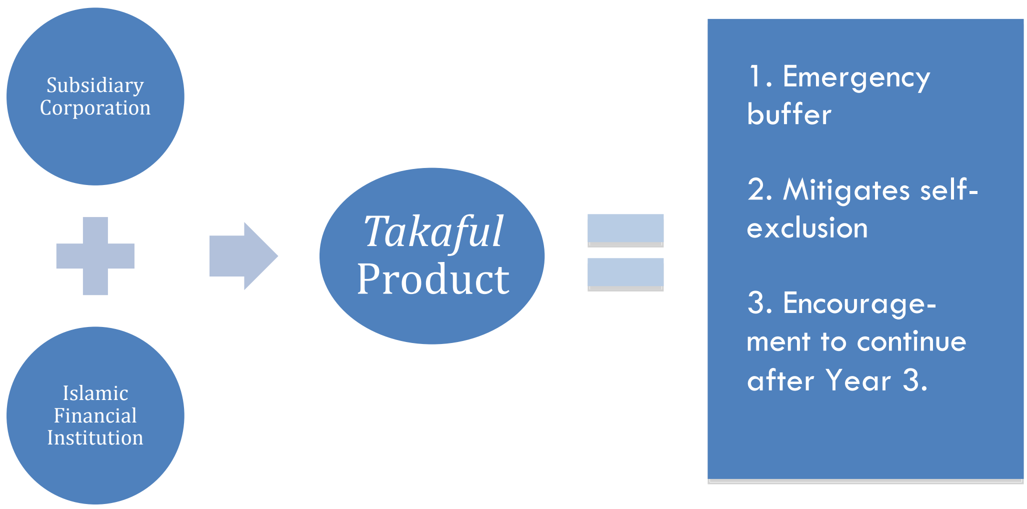
1. Checking account: An account where earnings are received, and where savings for daily/living expenses are kept until such time they are required.
2. Saving account for emergencies.
3. Saving account for children/grandchildren's expenses.

The checking account would be synonymous with a bank account, containing the common features of a current or savings account, whilst the remaining two accounts or sub-accounts could incorporate innovative saving programmes, such as the matched saving scheme noted earlier.

10.4.1.2 Emergency planning

To mitigate emergencies, *zakat* and *awqaf* can play an important role through providing net deficit households with the appropriate financial products. One of the main products that should be considered is *takaful*, which protects a household's assets, such as one's residence through home *takaful* products, and one's ability to earn income, via disability income or family *takaful*. In this context, for instance, the combined efforts of the subsidiary corporation and an IFI could lead to a *takaful* scheme that provides a 3-year coverage of disability income and home *takaful*, which could be wholly or partially funded, by *zakat* funds and/or *awqaf* proceeds, as illustrated in Figure 10.3.

Figure 10.3 Example of a *Takaful* Product within an Inclusive IFP Approach



As Figure 10.3 shows, the 3-year coverage paid wholly or fully by *zakat* funds and/or proceeds from *awqaf* funds would provide three main benefits. Firstly, it will create the emergency buffer that the *takaful* product provides. Secondly, it will assist to mitigate issues of self-exclusion, whereby as noted in Table 9.11 (Chapter 9), some respondents have a lack of awareness and knowledge of *takaful*. This form of self-exclusion could be addressed by enhancing their understanding and awareness of the benefits and features of *takaful*. Thirdly, once the awareness of the *takaful* product is carried out sufficiently, and as the customer becomes increasingly familiar with the product, it may encourage them to continue using the product at the end of the three-year period, using their own funds, wholly or partially.

The above example is an illustration of potential partnerships between institutions that can be established to mitigate financial exclusion, as highlighted in Section 3.4 (Chapter 3), whereby such forms of partnership to promote financial inclusion may take the shape of private/private, private/public or private/not-for-profit combinations.

Aside from *takaful*, the creation and build-up of emergency savings could also be assisted by using *zakat* funds and *awqaf* proceeds, similar to that mentioned in Section 10.4.1.1 earlier, where savings are concerned. In other words, *zakat* and *awqaf* could assist in funding innovative saving schemes that aim to assist net deficit individuals to expedite their emergency savings, whilst instilling a regular saving behavior.

In cases where *takaful* and emergency funds are insufficient, the existence of an *ar-Rahn* facility is important, to facilitate net deficit respondents who have assets, such as personal valuables, to pawn accordingly, whilst at the same time helping the client to avoid exploitative, informal moneylenders. Since *ar-Rahn* facilities are provided by Islamic banks in Brunei, it may be more prudent to utilise these existing facilities, but there is a need to understand why some net deficit respondents appear to favour conventional pawnshops over this particular Islamic facility, as noted in Table 9.16 (Chapter 9).

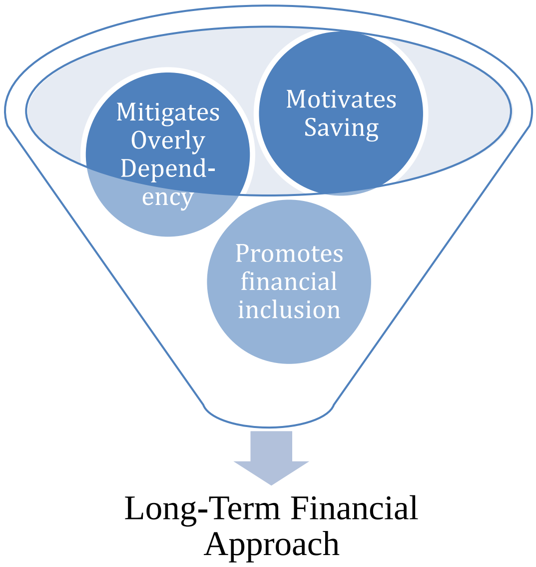
10.4.1.3 Investing for goals

The findings shown in Table 7.17 (Chapter 7) indicate that net deficit respondents rank saving for retirement or old age (Score: 0.54) lower than net surplus respondents (Score: 1.47). Further, in Section 9.2.4 (Chapter 9), where the factors related to exclusion towards investment products were described, there was little or no discussion by net deficit households related to long-term financial products that are generally linked to saving for retirement, such as mutual funds or stocks. These findings are intuitive, in the sense that net deficit households have more pressing priorities, such as their short-term financial needs and emergency needs.

Nonetheless, it is important that any inclusive IFP approach not only attempts to look at the short-term period, but also focuses on long-term financial events such as retirement. To that end, towards developing any financial approach that assists net deficit households to achieve their retirement goals, three elements or factors need to be given due consideration, as shown in Figure 10.4.

The first element that needs to be considered is financial inclusion, in the sense of whether any features or aspects of the financial approach promote or rather hinders financial inclusion. One such example is the condition exclusion issue described in Table 9.14 (Chapter 9), where a net deficit respondent was unable to create a fixed deposit account due to the high minimum investment amount required. There is therefore a need to consider such condition issues, for if a significant number of net deficit customers of an inclusive IFP approach are excluded from long-term financial products/solutions due to unattractive features, such as the high minimum investment amount, then the creation of such solutions/products would be ineffectual at the very least. In other words, the creation of new financial products/solutions should consider the conditions that are appealing for net deficit customers, to ensure financial inclusion.

Figure 10.4 Elements to consider in a Long-Term Financial Approach



Secondly, if welfare institutions are involved, consideration needs to be given to designing the financial approach, so as to ensure beneficiaries do not become overly reliant on welfare institutions. Finally, further consideration needs to be focused on how to motivate individuals to save for the long-term financial approach. This does not necessarily need to rely on financial incentives, as motivation may also involve non-monetary factors. For instance, pointing out the realities and challenges of retirement without having sufficient retirement funds, may prove to be low-cost non-monetary motivators.

Within the realm of an inclusive IFP approach, the 'financial plan' itself may prove to be one such motivating approach. Here the identification of one's own personal objective as well as the actual realisation of where one stands financially may create psychological effects that push individuals to adjust their financial behaviour, in line with their personal objectives.

In the case of Brunei, further research needs to be conducted on the two pension schemes, that is the Employee Provident Fund known as 'Tabung Amanah Pekerja' (TAP) and the recently established retirement scheme, entitled 'Supplemental Contributory Pension' (SCP), highlighted in Section 5.3.2 (Chapter 5). More specifically, and where net deficit households are concerned, there is a need to determine the extent that these retirement schemes are able to provide sufficient post-retirement income to low-income households. Ascertaining the sufficiency of post-retirement income is particularly important for government workers on a low-level salary scale, as Table 8.14 (Chapter 8) suggested that government workers appear to underestimate their retirement needs, compared to non-government workers, with the latter being 2.37 times more likely to save for retirement than the former.

Table 8.14 (Chapter 8) also indicated that it is essential to further understand the complexity of household needs such as household expenses, especially for married households, as the odds of saving for retirement are 2.58 times higher for single heads of household than those who are married. Understanding the household needs of married, net deficit households may highlight further insights and provide additional input towards an effective retirement planning approach for net deficit households.

The inclusion of retirement planning or other long-term goals as a poverty alleviation programme within an inclusive IFP framework is beneficial, as behavioural studies on savings described in Section 2.4.1 (Chapter 2) showed the relationship between saving horizons and saving behaviours. For instance, findings by Fisher and Montalto (2010) indicate that the farther one's saving horizon is, the higher the likelihood of regular savings. Furthermore, they also indicated that having a retirement motive significantly increases the chances of saving regularly.

All in all, in view of the three hierarchical levels shown in Figure 10.2, it would be beneficial for social financial planners to identify 'teachable moments', where the practice of managing one's short-term finances, emergency planning and retirement planning can be introduced or re-iterated to net deficit respondents or 'customers' of the inclusive IFP approach. This is particularly important as Section 8.5 (Chapter 8) showed that high-income earners are 5.56 times, 4.35 times and 2.7 times more likely to perform money management practices, emergency planning practices and retirement/long term practices respectively, than low-income earners.

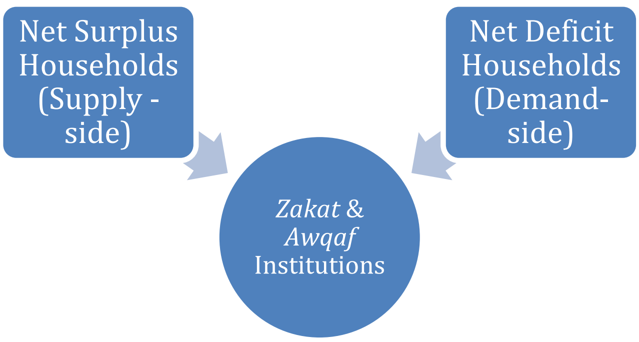
Another aspect worth noting is the review process, which is essential to financial planning, as described in Section 2.2.1.6 (Chapter 2). Within an inclusive IFP approach, the net deficit respondents' goals at each level of the hierarchy should be reviewed periodically to monitor the achievement of the goals and ensure that issues which curtail the attainment of such goals are given proper consideration.

10.4.2 Net Surplus Households

> Q_{22}: For net surplus households, what approaches can be formulated to create an inclusive Islamic Financial Planning framework, contributing to the potential of *zakat* and *awqaf*?

To establish an inclusive IFP framework, the role of net surplus households is crucial as they contribute to the supply-side of the framework, as shown in Figure 10.5.

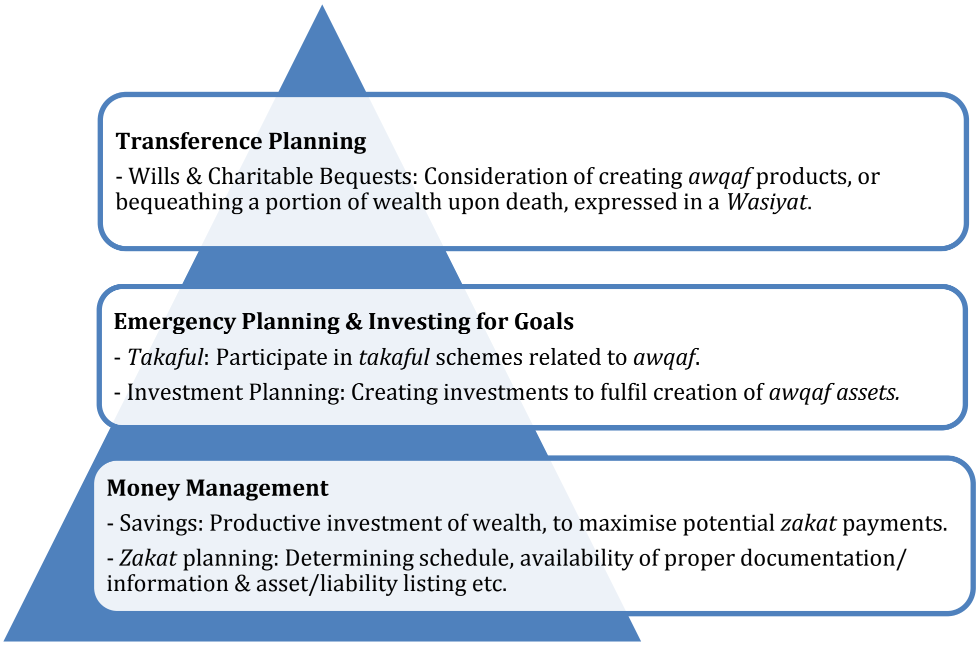
Figure 10.5 Relationship of Net Surplus and Net Deficit Households in an Inclusive IFP Framework



In other words, the supply of *zakat* and *awqaf* depends on net surplus households fulfilling their obligation to pay *zakat fitr* and *zakat* on wealth, as well as creating *awqaf* assets, notably those that are philanthropic in nature, or that create socio-economic benefits. Philanthropic *awqaf* is emphasized, more so than religious *awqaf*, as the proceeds from these revenue-generating *awqaf* assets are one of the sources of funds contributing to the inclusive IFP approach for net deficit households, illustrated in Figure 10.2 earlier.

The supply-side or contribution of net surplus households towards an inclusive IFP framework can be illustrated further through an Islamic financial planning hierarchy, exemplified in Figure 10.6. Before elaborating on each hierarchical level, it should be noted that only aspects directly related to *zakat* and *awqaf* are shown in the diagram, and that other aspects such as budgeting, creating a financial plan and retirement planning, though not explicitly described, are equally important to net surplus households.

Figure 10.6 Role of *Zakat* and *Awqaf* on Islamic Financial Planning for Net Surplus Households



10.4.2.1 Money management

For net surplus households, there is a need to ensure all savings or funds are productively invested, not only to mitigate inflation and earn profits, but also towards maximising the potential *zakat* payments that one would be able to pay.

In terms of Islamic financial planning, financial planners should play a crucial role towards providing a *zakat* planning service for Muslims such as assisting the customers to compute the *zakatable* amount for the relevant assets owned by net surplus individuals. This should include determining, or suggesting to the customer, a feasible schedule towards computing the *zakat* payment for the differing assets that the customer may possess, as well as highlighting the relevant assets, debts and other such information/documentation that are necessary to calculate the amount.

10.4.2.2 Emergency planning & Investing for goals

Aside from *zakat* planning, Islamic financial planners should also create awareness of the potential benefits of philanthropic *waqf* assets and encourage net surplus individuals to create these assets, as noted earlier with regards to Figure 10.5.

One particular approach towards creating philanthropic *waqf* falls within the realm of emergency planning, and involves a '*Takaful Waqf* Plan' such as that described by Hashim (2007), highlighted in Section 4.5.2.2 (Chapter 4). Here, the synthesis of *waqf* and *takaful* results in a '*Takaful Waqf* Plan', which essentially provides the attraction of accumulating wealth for *waqf* purposes, while being assured that one can still contribute to *waqf* even if one passes away before the end of the *takaful* contract.

Another approach towards creating *awqaf* assets lies in investing for future goals. In this context, Islamic financial planners would not only encourage customers to create philanthropic *waqf* assets but also ideally assist net surplus customers to ascertain the total amount required for the desired *waqf*, as well as deciding the optimal investment vehicle and the regular amount needed for investment.

Where an inclusive IFP approach in Brunei is concerned, either MUIB or the subsidiary corporation discussed in the preceding sections could play a further role by creating cash *awqaf* products for net surplus individuals. This may involve traditional approaches to cash *waqf*, towards utilising the cash directly as interest-free loans to beneficiaries, or investing the cash and only the returns are provided to the beneficiaries (Ahmed 2004; Hasan and Shahid 2010). Further, contemporary approaches utilising securitisation could be undertaken, with the need for funds broken down into relatively small denominations, which can be acquired through *waqf* certificates. Here, the resulting funds could then be used to purchase real estate for the purpose of renting them, and the resulting rental proceeds would then be provided to the beneficiaries.

10.4.2.3 Transference planning

The creation of *waqf* assets may also take place through the estate planning process, where Islamic financial planners may still play a pertinent role. Here, as the law of inheritance in Islam allows bequeathing up to a maximum of one-third of one's wealth after settling debt, a net surplus individual desiring to create a *waqf* asset upon death, should be assisted accordingly and advised to express so in his/her *wasiyat*.

10.5 FINANCIAL LITERACY

In order to establish an inclusive IFP approach, there is a need to incorporate financial literacy as studies, such as Lusardi and Mitchell (2007a) described in Section 2.6.1 (Chapter 2), noted on the effects of financial literacy on planning and essentially on wealth accumulation.

Unfortunately, findings related to financial knowledge of the respondents in Brunei, shown in Section 7.4.5 (Chapter 7), demonstrate the lack of financial literacy, notably for net deficit respondents. For instance, for both the money management and emergency planning scenarios, around 30-40 percent of net surplus respondents and approximately half of net deficit respondents acknowledged they did not know the correct answers. Although both sets of respondents performed poorly, the issue is more pronounced for net deficit respondents or those with relatively lower earnings. Section 8.6 (Chapter 8) confirms that in terms of the money management scenario, high-income earners are 2.63 and 3.03 times more likely to answer the money management scenario correctly than middle-income and low-income earners. Meanwhile for retirement planning, high-income earners are 4.75 times more likely to answer the retirement planning scenario correctly than low-income earners.

The above is not surprising as previous research studies such as The Social Research Centre (2008), Dvorak and Hanley (2010), Lusardi et al. (2010) and Monticone (2010), cited in Section 2.6.2 (Chapter 2), draw attention to the role of income and wealth in determining those who have low financial literacy scores.

These findings underline the need to provide financial literacy sessions notably for net deficit respondents, who may need it the most. However, it is prudent to stress that teaching ‘financial literacy’ in itself may not lead to the desired outcome of affecting one’s behaviour. As highlighted in Section 2.6.1 (Chapter 2), Lusardi and Mitchell (2007b) noted that delivery of financial knowledge is insufficient as individuals face difficulties following up on their planned actions. Further, Mandell and Klein (2007) found that even after attending a course in personal finance, financial literacy scores of young adults in the US were relatively low. More interestingly, the authors found that effective financial literacy is linked to the individuals' views of their future goals, whereby it is contended that clear, personal objectives that the individual aspired to, link with the effectiveness of financial literacy programmes. The emphasis on having a clear, personal objective or a particular goal-setting approach already exists within financial planning, whereby at the planning stage, the personal objectives of the customer are expressed accordingly, as noted in Section 2.2.1 (Chapter 2).

In the context of an inclusive IFP approach, aside from establishing clear objectives, it is also pivotal that the right aspects or elements of financial literacy are touched upon, at crucial stages or 'teachable moments' of the financial planning process. For instance, during the early part of the money management stage, financial knowledge related to budgeting and short-term planning should be taught via financial knowledge sessions as well as financial practice. At this stage, it may not be wise to overwhelm participants with less relevant aspects of financial literacy such as retirement planning, as their pressing needs may lie with daily/living expenses and their children's education.

Aside from enhancing the financial knowledge and practices of respondents, incorporating financial literacy within an inclusive IFP approach can also assist in mitigating issues related to financial exclusion. In Table 9.11 (Chapter 9), findings of the semi-structured interviews showed that there are respondents who appear to be self-excluded from using *takaful* products due to their lack of knowledge or awareness of such products. In this context, financial literacy may help mitigate issues of self-exclusion by clarifying features of seemingly complicated financial products during the financial literacy sessions or, at the very least, creating awareness of the existence of these products, and their associated benefits.

In addition, enhancing the financial literacy of net deficit respondents may also create incidental or secondary effects, whereby it assists to improve the financial literacy of other family members and close friends. As noted by Hilgert et al. (2003) in Section 2.4.2 (Chapter 2), the significance of family members in personal finance should not be underestimated, as families and friends are highlighted as key sources towards the attainment of personal financial knowledge.

10.6 CHALLENGES

Towards establishing an inclusive IFP approach, several challenges are noted in direct relation to the findings of the structured interviews. These challenges are: (1) Low-level understanding of *zakat* and *awqaf*, (2) Poor financial knowledge and practice and (3) Institutional development towards an inclusive IFP approach.

10.6.1 Understanding of *Zakat* and *Awqaf*

Section 7.5 (Chapter 7) demonstrated there is a low-level understanding of *zakat* and *awqaf* by the respondents. For instance, with regard to *zakat*, Table 7.28 (Chapter 7) highlighted that the term '*zakat'* is more commonly associated with historical forms of *zakat* such as *zakat fitrah* and *zakat* on gold, as compared to contemporary forms of wealth such as mutual funds and employee provident funds. This view is found amongst both net surplus and net deficit respondents alike.

Further, when four basic questions gauging respondent's understanding of *zakat* were posed, the results depicted in Table 7.37 (Chapter 7) indicate that only about 20 percent of both net surplus and net deficit respondents answered all four questions correctly, confirming the low-level understanding of *zakat*.

In terms of *awqaf*, Table 7.39 (Chapter 7) showed that most respondents, be it net surplus or net deficit respondents, are more familiar with religious types of *awqaf* such as mosques and donation of religious books, compared to *awqaf* of a more socio-economic nature such as real estate. Similar to *zakat*, four basic questions gauging the respondent's understanding of *awqaf* were posed. The results shown in Table 7.48 (Chapter 7) denoted that only around 10 percent of both sets of respondents answered the questions correctly.

In one aspect, it is not surprising that the understanding of *zakat* and *awqaf* is relatively poor. Where *zakat* is concerned, these findings concur with previous research noted in Section 5.5.1.1 (Chapter 5), where for instance, Masri (2007) found that only approximately 13 percent of respondents correctly identified the *nisab* for *zakat* on wealth, whilst around 45 percent accurately answered the *zakat* rate at 2.5 percent, and about two-thirds denoted both *zakat al-fitr* and *zakat* on wealth as being obligatory in Islam. Further, Ali (2008), found that only 40 percent of respondents were able to compute the due *zakat* in three scenarios pertaining to *zakat* on savings, company shares and gold.

Within an inclusive IFP approach, the consequences of a low-level understanding of *zakat* would lead to a lower amount of *zakat* being collected, compared to its true potential. This consequence is not unrealistic as Ali (2008) showed that in her study, the lack of knowledge on *zakat* meant that 82 percent, 77 percent and 76 percent of respondents did not pay *zakat* on the net income of rental properties, gold/jewellery, and company shares respectively, as shown in Table 5.7 (Chapter 5).

Where *awqaf* is concerned, the lack of knowledge about *awqaf* and most especially philanthropic *awqaf*, is reflected in the types of *awqaf* assets registered with MUIB. As shown in Table 5.12 (Chapter 5), with the exception of three *waqf* lands, the majority of registered *waqf* assets are religious in nature.

All in all, the challenge of a low-level understanding of *zakat* and *awqaf* relates to the supply-side of funds, within an inclusive IFP approach. Without sufficient funds from *zakat* and *awqaf* sources, the saving products, credit facilities and *takaful* products featured in Section 10.4.1 may not be fully realised. In other words, if *zakat* and *awqaf* is to play an effective role in the IFP approach, there is a need to inform the public of the possibilities of *awqaf*, notably those that produce socio-economic benefits and generates revenue. In addition, a well-informed *zakat* payer who fulfils his/her obligation to pay the historical and contemporary forms of *zakatable* assets will significantly increase the supply of *zakat* funds.

10.6.2 Financial Knowledge and Practice

Aside from low-level understanding of *zakat* and *awqaf*, the levels of financial knowledge and practice amongst respondents are also noticeably low.

In terms of financial knowledge, Section 7.4.5 (Chapter 7) highlighted that in terms of the money management scenario, less than half of the net surplus respondents and approximately a quarter of net deficit respondents answered the scenario correctly. For the emergency planning scenario, a mere 24 percent of net surplus respondents and 13 percent of net deficit respondents provided the correct answer. And finally, in terms of the retirement planning scenario, the figures were drastically lower, with 4 percent of net surplus respondents and 0.5 percent of net deficit respondents providing the correct answer.

Section 7.4 (Chapter 7) also indicated poor financial practices of respondents, notably, net deficit respondents. With a possible maximum score of 5, net deficit respondents attained a score of 2.7, in terms of their money management practice, whilst net surplus respondents fared slightly higher at 3.3. With regard to emergency planning practice, the net deficit and net surplus respondents' scores stood at 2.8 and 3.9 respectively, with net deficit respondents once again attaining a relatively lower score than net surplus respondents. Finally, when asked if respondents had formulated a specific financial plan for their retirement, 80 percent of net deficit respondents and 57 percent of net surplus respondents stated they had not.

The above findings underline the challenge of an inclusive IFP approach, whereby with low levels of financial knowledge and practice, any relative success of an inclusive IFP approach would be superficial at best, whereby the IFP approach would be synonymous with organisations providing mere financial products and services. In fact, an inclusive IFP approach is not a mere approach towards providing financial products and services. Essentially, it involves changing the perspective of mitigating poverty, by assisting each net deficit respondent to achieve his or her personal objectives and meet their financial needs in line with a distinct financial plan of their own. And the value-added element of the financial planning process is that along the process, respondents become increasingly knowledgeable about matters of personal finance, and instil sound financial planning practices into their actions.

The potential benefit of sound financial practice in itself should never be underestimated. For instance, studies such as Xiao et al. (2006), described in Section 2.4.2 (Chapter 2) denoted that creating and following through on a financial budget helped to reduce levels of financial stress amongst consumers receiving credit counselling. Further Ameriks, Caplin and Leahy (2003) cited in Section 2.3.1 (Chapter 2), noted that those who create a detailed budget, as a result of a higher propensity to plan, are likely to save more than those who do not.

Therefore, to mitigate the challenge of low levels of financial knowledge and practice, it is imperative to enhance the participants' financial knowledge and ensure proper guidance towards sound financial practice, during each ‘teachable moment’ as highlighted in Section 10.5, via financial literacy sessions[169] and financial practice.

10.6.3 Institutional Development of *Zakat* and *Awqaf*

Another challenge towards achieving an inclusive IFP approach, where poverty alleviation is concerned, relates to the development of *zakat* and *awqaf* institutions. The challenge for any institution in Brunei, towards incorporating the inclusive IFP framework highlighted in Section 10.4 relates to the low-level understanding of *zakat* and *awqaf*, as well as both poor financial knowledge and poor financial planning practices.

In terms of *zakat* and *awqaf*, the institution involved will need to enhance the level of understanding towards contemporary forms of *zakatable* wealth and philanthropic forms of *awqaf*. This in itself requires a substantial marketing effort towards ensuring that the optimal amount of information and knowledge reaches the target market. Such efforts would mitigate the issue identified in Masri (2007), noted in Section 5.5.1.1 (Chapter 5), where approximately 70 percent of respondents highlighted that there is a lack of public awareness programmes on *zakat*, compared to other forms of worship.

Aside from the marketing effort and dissemination of information/knowledge, the institution should also facilitate avenues where individuals can pay their *zakat* or create philanthropic *awqaf* efficiently, such as through automatic transfers and online mechanisms.

With respect to financial planning knowledge and practice, there is a need to firstly ensure sufficient expertise is in place within the institution, to provide the necessary platform for an inclusive IFP framework to succeed. This expertise pertains to personal finance in general, and financial planning in particular, which is critical and incumbent within an inclusive IFP framework. With sufficient expertise within the institution, the dissemination of financial knowledge and practice can be undertaken effectively. Furthermore, the availability of expertise would provide the capability to embark on an inclusive IFP approach towards alleviating poverty, notably assisting

[169] Aside from financial planning knowledge, it is also pertinent to consider enhancing the understanding of Islamic financial concepts, to de-mystify any confusion and enhance the usage of Islamic financial products.

net deficit households to develop their financial plan, undertake the specific financial actions and review the plan on a periodic basis.

All in all, the challenge from an institutional development perspective lies with having the necessary expertise for an inclusive IFP framework to succeed, alongside providing the platform to disseminate information and knowledge on contemporary forms of *zakat*, philanthropic *awqaf* and financial planning.

10.7 CONCLUSION

At the beginning of this chapter, the financial needs of net deficit respondents were discussed, by taking perceived saving motives and access to financial products as proxies of financial needs. The ensuing discussion highlighted the need to have savings products and credit facilities that, at the very least, catered for daily/living expenses, emergencies and their children's/grandchildren's education.

Further, IFIs as well as *zakat*/*awqaf* institutions that currently exist in Brunei were then assessed, in order to establish whether these institutions were fulfilling the financial needs of net deficit respondents. Where certain needs were not fulfilled, suggestions and approaches were highlighted, most notably the suggestion of creating a subsidiary corporation that would not only assist in fulfilling the financial needs but also mitigate issues faced by respondents during the *zakat* application process.

The chapter also highlighted how an inclusive Islamic Financial Planning approach would look, shaped by the findings extracted from the structured and semi-structured interviews. The inclusive IFP approach for net deficit respondents envisions a new financial approach towards mitigating poverty, by assisting net deficit households to achieve their personal objectives and meet their financial needs, through a financial planning paradigm. Meanwhile, the IFP approach for net surplus respondents aims to ascertain areas where the supply-side of an inclusive IFP framework can be realised to its true potential, by looking at how the payment of *zakat* and creation of *awqaf* can be undertaken at each level of the financial planning hierarchy.

Towards the end of the chapter, the value-added component of financial literacy is assessed within an IFP context, highlighting its benefit towards not only increasing the financial literacy of participants but also mitigating issues of self-exclusion. Finally, the challenges towards an inclusive IFP framework are elaborated, highlighting the need to increase the awareness of philanthropic *awqaf* and other less known types of *zakat*, as well as the need to enhance the financial knowledge and practices of participants, requiring the institutional development to match these challenges.

Chapter 11
CONCLUSION

11.1 INTRODUCTION

The past decades had witnessed the development of financial planning from a financial service, which prior to the 1970s catered exclusively to wealthy individuals, into one that serves the middle-income class. At the same time, financial planning is not only found to be intuitively beneficial, but numerous studies described in Chapter 2, have shown the benefits of planning, concluding that planning one's finances leads to the accumulation of wealth.

Acknowledging the benefits of financial planning, the motivation for this study begins with the notion of pushing the boundaries of financial planning further, in order to attempt to understand if financial planning can work for those in low incomes and poverty. Therefore, the aim of this study noted in Chapter 1 and Chapter 6, is to examine the needs of the poor and non-poor households in order to identify, describe and establish an inclusive Islamic Financial Planning framework for both groups in Brunei Darussalam.

This chapter attempts to provide a summation of the research, reflecting upon the salient findings of the study vis-à-vis the research objectives. Aside from these reflections, the implications of the inductive research are also highlighted, shedding light onto the theoretical and practical implications of the study. Finally, suggestions for future research are outlined, with regards to personal finance, Brunei and poverty.

11.2 REFLECTIONS ON THE STUDY

The six research objectives highlighted in Chapter 1 and Chapter 6 are discussed below vis-à-vis the salient findings of the research.

Research objective 1: To understand the theoretical literature relevant towards establishing a framework of financial planning.

With the scarce literature on financial planning in general and Islamic financial planning in particular, the literature considered relevant to establish an inclusive IFP framework is sought from contemporary aspects of personal finance, as well as historical concepts within Islam. The contemporary fields within finance include financial planning, financial literacy and financial exclusion, while the historical concepts refer to *zakat* and *awqaf*. These fields and concepts are important in their own right, but combined together, there is a potential towards creating an inclusive IFP framework for the poor and non-poor in Brunei.

Research objective 2: To understand if a hierarchy of financial needs exists in Brunei for different classes of the population.

Taking saving motives, as well as financial exclusion or difficulties in accessing financial products, as proxies of financial needs, the findings of this research demonstrate the existence of a hierarchy of financial needs among the respondents in Brunei. In terms of saving motives, it was found that those at the upper end of the hierarchy are more likely to save for retirement, emergencies and purchase of assets. Meanwhile, those at the lower end are more likely to save for daily expenses, children/grandchildren’s education, and purchase of goods/services.

Meanwhile, when taking financial exclusion as a proxy of financial needs, respondents at the lower end of the hierarchy are more likely to face difficulties when attempting to access bank accounts and credit facilities. Meanwhile, those at the upper end are more likely to be excluded from investment products, possibly as a result of lack of demand for investment products by those in low income and poverty.

Research objective 3: To define the nature and scope of financial exclusion in Brunei.

To understand the issues related to financial exclusion even further, the structured and semi-structured interviews were analysed, notably with regards to exclusion from bank accounts, credit facilities and investment products.

Financial exclusion in terms of opening bank accounts is notably significant for relatively low-income households, who earn less than BND300 per month. Here, the main issue lies with affordability, and more specifically, towards fulfilling the BND50 minimum deposit required by Islamic banks in Brunei.

One of the notable findings on credit facilities shown from the logistic regression relates to marital status. As shown in Table 8.15 (Chapter 8), the odds of being financially excluded from credit facilities are 2.56 times higher for married respondents than single, divorced or widowed respondents, signifying the importance of understanding the specific credit needs of married households. Meanwhile, with regards to the nature of exclusion, analysis of the semi-structured interviews highlighted numerous reasons for being excluded from credit facilities, namely affordability as well as conditions related to the credit facility, such as the need for guarantors, which hinders access to credit.

Finally, in the context of investment products, financial exclusion from fixed deposits, mutual funds, bonds and stocks can be best understood from the semi-structured interviews. During the interviews, net deficit respondents rarely discussed investment products, and when the topic was discussed, the issue of affordability is noted as the main factor affecting access to investment products. Therefore, it is not surprising as noted earlier, that the relatively well-off are more likely to be excluded from investment products, as there is a lower need/demand for the product by net deficit respondents, who are faced with more pressing financial needs such as bank accounts and credit facilities.

Research objective 4: To ascertain whether financial needs can be met by contemporary Islamic financial institutions (IFIs), zakat and awqaf institutions.

This study also assessed whether the current financial products and services offered by IFIs in Brunei, and MUIB are able to meet the financial needs of net deficit respondents such as bank accounts and credit facilities.

In terms of bank accounts, the findings show that to a certain extent, IFIs and the *zakat*/*awqaf* institution are not able to fully meet the needs of net deficit households, at least not until the minimum deposit is available. Therefore, more effort needs to be made by the relevant institutions; for instance, IFIs may forgo the minimum deposit requirement, as part of their Corporate Social Responsibility. Alternatively, MUIB could decide to use *zakat* funds from the onset, to cover the minimum deposit.

As for credit facility, the challenge in attaining credit from IFIs lies with affordability issues as well as conditions such as the need for guarantors/collateral, as is the norm where contemporary financial institutions are concerned. Meanwhile, with regards to the *zakat*/*awqaf* institution, the entrepreneurial assistance offered by MUIB is noted to have achieved limited success.

Therefore, to meet the credit needs of net deficit respondents, it is perhaps more effective for MUIB and JAPEM to refine their entrepreneurial assistance/credit schemes within the realm of microfinance, with respect to productive loans. Meanwhile, in terms of consumer loans, *ar-Rahn* facilities and the provision of benevolent loans using *awqaf* proceeds can go a long way to assist net deficit respondents to achieve their credit needs.

Research objective 5: To define the scope of financial planning practice and knowledge in Brunei.

The findings of the structured interviews show poor financial planning practices by the research participants, notably net deficit individuals. For instance, when asked if the interviewees had formulated a specific financial plan for their retirement, Table 7.20 (Chapter 7) showed that 57 percent of net surplus respondents and 80 percent of net deficit respondents stated they had not.

In terms of financial knowledge, the findings also indicated that research participants, notably net deficit interviewees, perform poorly when trying to answer the scenarios. For example, with regards to the retirement planning scenario highlighted in Table 7.27 (Chapter 7), only 4 percent of net surplus respondents and only 0.5 percent of net deficit respondents answered the scenario correctly.

All in all, the findings of the study relating to financial practice and knowledge demonstrate the existence of poor financial practices and knowledge, highlighting the need for a financial literacy approach within an inclusive IFP framework, especially for net deficit individuals.

Research objective 6: To ascertain the shape and approaches that an inclusive Islamic Financial Planning framework may adopt.

In this study, financial planning is neither merely seen as a financial service, nor simply as a process of planning and managing one's finances. Essentially, it should be seen as providing a different perspective towards mitigating poverty, within the realm of Islamic financial planning. To that end, it is suggested that the components that make up the framework should include:

- Islamic financial planning
- *Zakat* and *awqaf*
- Financial inclusion
- Financial literacy

In terms of Islamic financial planning and where a financial planning hierarchy is concerned, there are three levels within the hierarchy related to net deficit households, with 'Money Management' at the lowest level of the hierarchy, followed by 'Emergency Planning' at the middle, and finally, 'Investing for Future Goals' at the top end of the hierarchy. Therefore, within an inclusive IFP approach for net deficit households, the challenge is to facilitate households to firstly, enhance their earnings and money management capabilities, before fully moving on to the second hierarchical level of emergency planning and finally, to the highest level of the hierarchy, where long-term events or goals, such as retirement planning, are undertaken. For net surplus households, their role within the framework is to contribute to the supply-side of the inclusive IFP approach, by fulfilling their *zakat* obligations and creating *awqaf* assets.

This leads to the second component of an inclusive IFP framework: *zakat* and *awqaf*. As mentioned in the above paragraph, *zakat* and *awqaf* both play a role within the framework, towards funding the financial approaches undertaken by net deficit households. This study has also highlighted that there is a relatively poor understanding of *zakat* and *awqaf* by the respondents, notably in terms of *zakat* on contemporary forms of wealth, and where philanthropic *awqaf* or those that generate revenue are concerned. Therefore, there is a need to enhance the level of knowledge of the less well-known types of *zakatable* assets, and philanthropic *awqaf*, with the role of Islamic financial planners being pertinent at this juncture, towards encouraging the creation of philanthropic *awqaf* and providing a comprehensive *zakat* planning service.

The third component within the framework is financial inclusion. As noted earlier, issues pertaining to affordability and guarantors/collateral are some of the factors highlighted in this study, contributing to financial exclusion. Further, it is unlikely that mainstream financial institutions are able to mitigate these financial exclusion issues effectively. With that in mind and where Brunei is concerned, it is pertinent to consider the establishment of a subsidiary corporation that converges on the relevant undertakings of MUIB and JAPEM, in order to assist net deficit households. In terms of financial exclusion, the subsidiary corporation would be in an effective position to provide the financial products that would meet the financial needs of the households, due to the desire for corporations to survive and prosper, compared to government agencies. The financial products/approaches include innovative saving programmes, microfinance initiatives and proactively looking at instances where financial exclusion can be mitigated, such as through financial literacy and the design of financial products. Further, the creation of such a corporation would also mitigate the *zakat* disbursement issues, where waiting time, costs and workload are concerned.

The final component of an inclusive IFP framework is the enhancement of financial literacy. The findings in this study have shown that high-income earners are more likely to be financially adept than relatively lower income earners, where financial knowledge and practice are concerned. Therefore, enhancing the financial literacy of net deficit participants, and instilling sound financial practice is critical to the framework, for an inclusive IFP framework is more than an approach towards providing a financial product/service, but also aims to instill financial knowledge and financial planning practice as a life-long skill.

Taken as a whole, the four components stated above contribute towards an inclusive IFP framework, which attempts to mitigate poverty differently, through the lens of financial planning with the added features of *zakat*, *awqaf* and financial literacy. This view is pertinent with the changing personal financial world, where governments are increasingly encouraging individuals to manage their own finances, and where, therefore, planning becomes essential, most especially for those who require financial assistance.

11.3 RESEARCH IMPLICATIONS

11.3.1 Knowledge Development

As far as the researcher is aware, the notion of an inclusive financial planning approach towards mitigating poverty is a novel concept, be it within the realm of Islamic or conventional financial planning, and adds to the knowledge development and literature of financial planning in general, and 'social financial planning', in particular. The importance of this study towards ascertaining a different paradigm aimed at mitigating poverty is that it attempts to look at the bigger picture of planning one's finances, not simply in the short-term but also in the wider picture of one's lifetime, including unknown and known events, such as emergencies and retirement respectively.

Additionally, this study also adds to the development of knowledge towards incorporating *zakat* and *awqaf* with contemporary issues such as financial exclusion. This aspect is pertinent, as there is a need to constantly review the ways that *zakat* and *awqaf* can work within the purview of contemporary financial approaches, as matters pertaining to personal finance change from one time period to another.

11.3.2 Welfare Institutions and Policy Makers

The concept of an inclusive IFP approach has notable implications for those involved in the poverty alleviation process which in the case for Brunei, includes the policy makers, due to the involvement of MUIB and JAPEM as the key institutions involved in mitigating poverty. The creation of a subsidiary corporation is a particularly challenging aspect, with regards to the immediate changes that will affect both institutions, but in the long run, it is pivotal when taking into account the cost and workload faced by both institutions, as well as the expense and effort experienced by the welfare recipients, where the present situation is concerned.

Another main implication towards undertaking an inclusive IFP approach is that it may require a more direct and further personal relationship between the participants and the institution involved. Because of the nature of financial planning, there would be a heightened interaction and discussion concerning the participant's personal goals, diverse financial needs and financial issues faced by the participant, towards creating a financial plan, putting the plan into action and reviewing the plan periodically.

Another implication worth noting is the need for policy makers to constantly assess the holistic process that welfare recipients face, when policymakers implement financial approaches within an inclusive IFP framework. The minimum deposit required to open a bank account, noted in Chapter 9, is one such example where a holistic approach towards mitigating poverty may well have identified affordability, towards meeting the BND50 deposit, as a factor that contributes towards financial exclusion. The need for a holistic viewpoint towards mitigating poverty, within the realm of an inclusive IFP framework, is important because of the component of financial inclusion within the framework. Therefore, within an inclusive framework, several pertinent questions need to be constantly addressed for each financial approach that is to be implemented by policy makers, along the lines of a 'financial inclusion' compliance test. These questions include:

- Towards adopting this financial approach, what financial products are involved?
- Are there any features or conditions of the financial products that would inhibit their actual usage or hinder financial inclusion?
- At any point in the process, are there any potential financial costs that would be incurred by the participants that would drastically affect the affordability of the products, or inhibit their usage?

11.3.3 Poverty Alleviation Efforts and Welfare Recipients

The inclusion of financial planning towards mitigating poverty avoids a 'one-size-fits-all' solution, which is beneficial towards poverty alleviation due to the multi-faceted nature of poverty. An inclusive IFP framework provides the attraction of a broad financial framework that touches upon contemporary issues such as financial exclusion and financial literacy, whilst at the same time provides a specific financial plan for each household, with respect to their financial goals and needs at each level of the hierarchy.

Furthermore, the comprehensive view of enhancing living standards of low-income households and those in poverty, not only looks at the short-term through money management and emergency planning approaches but also in the long-run through investing for goals such as retirement. In other words, an inclusive IFP framework includes a conscious effort towards minimising the possibility of net deficit households to fall back into the poverty cycle. For instance, it is hoped that by ascertaining the individual's retirement planning approach, poverty is not only alleviated when he/she is relatively young and able, but also mitigated when the individual enters his/her retirement age, where the capacity to earn or be employed diminishes.

11.3.4 *Zakat* Collection and Development of Philanthropic *Awqaf*

From the net surplus households' perspective, an inclusive IFP framework provides the opportunity for net surplus individuals to fulfil their *zakat* obligation, not only by understanding the contemporary *zakatable* assets that are payable, but also by having a *zakat* planning service offered by Islamic financial planners. Further, the encouragement and advise towards the creation of philanthropic *awqaf* not only affects the supply-side of an inclusive IFP framework but also provides socio-economic benefits to the wider community, whether it is through revenue-generation, or its effect to the economy, such as employment.

11.4 LIMITATIONS OF THE STUDY

In terms of the general outcome of the study, or where the applicability of an inclusive IFP approach is concerned, it may be limited to the following circumstances:

- Where the level of poverty is relative rather than absolute: One may contend that an inclusive IFP approach may be more conducive or effective as a poverty alleviation tool, in cases where relative poverty exists, as is the case in Brunei. In cases where high poverty rates exist, other poverty alleviation tools such as provision of training/employment, business tools and financial capital could prove pivotal, as least in the short-run.
- Where *zakat/awqaf* institutions exist: This study assumes the existence of *zakat* and *awqaf* institutions, which essentially act as providers of funds, in their contribution to the supply-side of the IFP framework, as shown in Figure 10.5 (Chapter 10). In cases where such institutions do not exist, the potential

capability of an inclusive IFP approach is limited, unless other types of organisations with similar capabilities can exist within the existing legal framework.

- Where differences in locality do not significantly vary from the respondents or context of this study: Chapter 5 highlights that Brunei is blessed with a high GDP per capita (resulting in favorable subsidies and standard of living), high Human Development Index and literacy rate, which could lead to an inclusive IFP approach to be potentially feasible, compared to countries where such rates or indexes are lower.

11.5 SUGGESTIONS FOR FUTURE RESEARCH

With regards to the findings of the study, the following recommendations for future research are outlined.

(i) Future research may consider extending the key aspects of this study, using random sampling as well as extending the scope of the sample to other districts in Brunei, with a view to not only generalise the findings but also attempt to investigate if there are distinct findings, where each district is concerned.

(ii) Following the findings related to married households, who are less likely to save for retirement and more likely to be excluded from credit facilities, than single heads of households, as shown in Table 8.14 and 8.15 (Chapter 8) respectively, future studies may want to consider ascertaining the complexity of households needs, such as households expenses, in order to gain an understanding of why they are less likely to save for retirement and the nature of exclusion from credit facilities. Understanding the household needs of married, net deficit households in particular may also highlight further insights and provide additional input towards an effective retirement planning approach for net deficit households. Further, it may also highlight differing perspectives on exclusion towards credit between single and married heads of households.

(iii) Future research may also want to consider ascertaining the extent of financial vulnerability amongst the elderly in Brunei. Table 8.17 (Chapter 8) highlighted those aged 55 and above are less likely to engage in money management practices than the relatively younger group (those aged less than 35). Further, Table 9.7 (Chapter 9) included an instance of an elderly person requiring credit but being financially excluded or self-excluded from credit facilities due to age concerns. These findings suggest potential issues of financial vulnerability or poverty amongst the elderly, which is especially disconcerting if they are still unable to pay their debts during their golden years. Such future studies may also consider ascertaining the proportion of welfare recipients who are over the retirement age, including those whom applied for *zakat* under the category of *al-Gharimin*.

(iv) Another area that may be considered for future research is home ownership. Analysis in Section 8.3 (Chapter 8) highlighted that amongst savers, non-home owners are more likely to save for assets, such as housing, and less likely to save for emergencies. This may potentially signify a mismatch of saving priorities by non-home owners. Alternatively, non-home owners may well possess emergency buffers such as family support, should an emergency occur. With these in mind, future research related to personal finance in Brunei may want to consider the role and importance of home ownership, and its relationship with savings, debt and investment.

(v) Where Brunei is concerned, future research may also want to consider ascertaining alternatives towards providing a guarantor, in both cases of financing, be it for productive or consumer financing. As noted in Table 9.7 (Chapter 9), provision of a guarantor is considered by net deficit respondents as a main factor contributing towards financial exclusion of credit facilities. With that in mind, assessing the best practices of microfinance institutions should be undertaken to consider feasible approaches, where Brunei is concerned.

(vi) As highlighted in Section 6.8.3 (Chapter 6), two questions related to IFP were omitted from the analysis due to concerns about the reliability of the responses. It is suggested that future studies related to IFP attempt to gauge the level of understanding and perceptions of individuals in Brunei, towards financial planning in general, and Islamic financial planning in particular.

Such a study would not only highlight the socio-economic differences between those with high-level and low-level understanding of financial planning, but also provide a basis from which to create strategies or approaches that enhance the level of personal financial planning, or towards undertaking financial planning services from financial institutions.

(vii) With regards to IFP as a research topic and field of practice, IFP is a niche area within the sphere of Islamic finance. Undoubtedly, if IFP is to play a more prominent role in Islamic finance, more research needs to be undertaken towards ascertaining the contribution of IFP towards the goals of Islamic economics and finance, as well as development and current issues within IFP itself.

(viii) Where an inclusive IFP framework and poverty alleviation are concerned, another avenue for future research pertains to the establishment of operational models, in order for *zakat* and *awqaf* institutions to utilise the inclusive IFP framework. Such operational models may include identifying the legal constraints of an inclusive IFP approach for a *zakat*/*awqaf* institution in Brunei, as well as the specific processes and steps required for the approach to materialise.

11.6 CLOSING REMARKS

This exploratory research aimed at ascertaining an inclusive IFP framework for the poor and non-poor in Brunei Darussalam. In view of the lack of existing literature on financial planning and IFP, notably pertaining to the poor, this research is considered novel in nature. It is hoped that the findings of this study provide a platform or foundation for future research and other applied undertakings within the realm of an inclusive financial planning approach, to assist those in low-income and poverty, in view of the ever-changing contemporary financial world that we live in.

QUESTIONNAIRE ON FINANCIAL PLANNING

Reference No. : ________________

Date : ________________

Sub-district : ________________

Instruction to Interviewer:

1. Provide introductory letter to respondent and highlight key aspects of the letter, notably:
    - Describing that respondent's responses will be used for this research **only**, with the aim of finding **a better approach** in the collection and distribution of *zakat*, and the role of *wakaf* against poverty.
    - Emphasize that all responses will be kept **confidential**, and the respondent's name will not be written on the questionnaire.
    - All sections (except for Section E) should be answered **verbally** by the **head of the household**.

2. For section E, provide an envelope for respondent to seal the answers to minimize sensitivity concerns. Ensure the envelope has a **similar reference number** as this questionnaire (Do not write respondent's name on any envelope).

Section A: Background Information

1. Gender:
   a. Male
   b. Female

2. Please state your current age: ___________

3. What is your highest level of formal education? (INTERVIEWER: STATE ANSWER IN TERMS OF THE NUMBER OF YEARS IN FORMAL EDUCATION): _________ years

4. What is your marital status?
   a. Single
   b. Married
   c. Divorced
   d. Widowed

5. In terms of employment, are you …
   a. Employed by the government
   b. Employed by a private company
   c. Self-employed
   d. Working in Agriculture/Fisheries
   e. Actively looking for work
   f. Student
   g. Retired
   h. Housewife
   i. Others, please specify: ___________

6. Please state the source of your earnings (You may answer more than one):
   a. Salary
   b. Business income
   c. Rental income
   d. Income from agriculture/fisheries
   e. Assistance from government or private agencies
   f. Others, please specify: ___________

7. Please state:
   (a) The number of individuals living in your household, including yourself: ___________
   (b) The number of working individuals within your household: ___________

8. Please state the total monthly earnings of **yourself and your spouse** (INTERVIEWER: INFORM RESPONDENT THAT EARNINGS HERE REFERS TO ALL EARNINGS NOTED IN QUESTION 6, EXCEPT FOR OPTION 'E').

   Total monthly earning = BND ___________

9. Please state the type of housing you are currently living in:
    a. Privately owned property (Proceed to Section B)
    b. Rented property, owned by private landowner (Proceed to Section B)
    c. Rented property, owned by government (Proceed to question 10)
    d. Others, please specify: ________________________________

10. Please state the form of government housing you are currently living in:
    a. Housing related to welfare assistance/ programmes.
    b. Housing related to occupation.
    c. Others, please specify: __________

Section B: Financial Products and Services

1. [CARD A] On a scale of 1 to 7, how important are the following financial products/ services to **you**, or for your **own usage**?
[1 – Not important at all, 2 – Low importance, 3 – Slightly important, 4 – Neutral, 5 – Moderately important, 6 – Very important, 7 – Extremely important]

2. Have you ever applied for any of these financial products/services, but were not successful in your application?

3. [CARD B] Have you ever **considered** applying for any of these financial products/ services but **decided not to**, due to the high costs or difficulty in meeting the bank's requirements?

		1. Level of Importance							2.	3.
a.	Savings account	1	2	3	4	5	6	7		
b.	Current account	1	2	3	4	5	6	7		
c.	Fixed deposit	1	2	3	4	5	6	7		
d.	Mutual fund	1	2	3	4	5	6	7		
e.	Bonds	1	2	3	4	5	6	7		
f.	Shares	1	2	3	4	5	6	7		
g.	Life insurance/ Family *takaful,* which provides sum to beneficiaries, should the individual pass away during duration of policy.	1	2	3	4	5	6	7		
h.	Home insurance/ *takaful*	1	2	3	4	5	6	7		
i.	Personal accident or disability insurance/ *takaful* (Does not include motor vehicle insurance/ *takaful*)	1	2	3	4	5	6	7		
j.	Personal loan/ financing	1	2	3	4	5	6	7		

k.	Home financing/ mortgage	1	2	3	4	5	6	7		
l.	Motor vehicle loan/ financing	1	2	3	4	5	6	7		
m.	Credit cards	1	2	3	4	5	6	7		
n.	Education loan/ financing	1	2	3	4	5	6	7		
o.	Computer loan/ financing	1	2	3	4	5	6	7		
p.	Pawn Broking/ *Ar Rahnu*	1	2	3	4	5	6	7		
q.	Financial planning services	1	2	3	4	5	6	7		

4. Do you use any of these financial products/services?

	Financial Product/ Service	Yes	No
a.	Home insurance/ *takaful*		
b.	Personal accident or disability insurance/ *takaful* (Does not include motor vehicle insurance/ *takaful*)		
c.	Financial planning services		

5. Please answer 'Yes' or 'No':

	Question	Yes	No
a.	Aside from motor vehicle insurance/ *takaful*, do you use other insurance/ *takaful* policies to help during emergencies?		
b.	Have you ever gathered together your financial information, reviewed it in detail by yourself or with a planner, and formulated a specific financial plan for your retirement?		

Section C: Financial Planning

1. Do you save on a regular basis?

a. Yes, I save on a regular basis.
b. No, but I do save whenever I can.
c. No, I don't/can't save (Proceed to Question 3)

2. [CARD C] (a) What are your **household's** most important reasons for saving? (You may answer more than one). Please state the reasons you are **currently saving for**, not what you intend to save in the future.
INTERVIEWER: AFTER ANSWERS ARE PROVIDED, ASK: 'Are there any other reasons not listed here?'

(b) INTERVIEWER: IF MORE THAN ONE REASON IS PROVIDED, ASK: 'Out of the reasons that you mentioned, what are the top three important reasons for saving?' (INTERVIEWER: RANK '1' THE MOST IMPORTANT REASON FOR SAVING, '2' THE SECOND MOST IMPORTANT REASON FOR SAVING AND SO ON).

(a) Tick	(b) Rank	
______	______	a. Children's education; education of grandchildren
______	______	b. Own education; spouse's education
______	______	c. Buy own house
______	______	d. Buy a car or other vehicle
______	______	e. Home improvements/repairs
______	______	f. To get married
______	______	g. To travel; take vacations
______	______	h. Buy durable household goods/appliances
______	______	i. Buy hobby items
______	______	j. Buy things when we need/want them
______	______	k. Charitable or religious contributions
______	______	l. Buy (invest in) own business/farm; equipment for business/farm
______	______	m. Retirement/old age (Not including TAP/Tabung Amanah Pekerja and the Supplemental Contributory Pension)
______	______	n. Reserves in case of unemployment
______	______	o. Emergencies; other unexpected needs; for "security"
______	______	p. To meet contractual commitments (debt repayment, insurance, etc.)
______	______	q. Ordinary living expenses/bills
______	______	r. Liquidity; to have cash available/on hand
______	______	s. Others, please specify:

____

____

3. [CARD D] On a scale of 1 to 5, how frequently do you carry out the following activities?
[1 – Never, 2 – Rarely, 3 – Sometimes, 4 – Almost every time, 5 – Every time]

a.	I compare my monthly income against my monthly expenses.	1	2	3	4	5
b.	I use a written budget to compare my monthly income against monthly expenses.	1	2	3	4	5
c.	I use a written budget to compare planned cash flow against actual cash flow.	1	2	3	4	5
d.	I keep some money aside for emergencies.	1	2	3	4	5

Section D: Opinion on Islamic Financial Planning, *Zakat* and *Wakaf*

1. [CARD E] On a scale of 1 to 5, do you agree or disagree with the statements below?
[1 – Strongly Disagree, 2 – Disagree, 3 – Not Sure, 4 – Agree, 5 – Strongly Agree]

a.	I understand the concept of Islamic financial planning.	1	2	3	4	5
b.	In Brunei, there are enough Islamic financial planners in Islamic banks, to serve customer needs.	1	2	3	4	5
c.	I believe *wakaf* funds can be used to reduce poverty.	1	2	3	4	5

<u>INTERVIEWER</u>: FOR QUESTION 2 & 3, READ THE QUESTIONS ONLY.

2. [CARD F] In **Brunei**, which of the following is **commonly** associated with the term '***Wakaf***'? (You may answer more than one)
   a. A donated sum to build or maintain a mosque.
   b. Donation of religious books, such as *Yassin*.
   c. Cash endowment
   d. A library built in a rural area, donated by the public.
   e. A shopping mall built using donated funds.
   f. None of the above
   g. I don't know

3. [CARD G] In **Brunei**, which of the following is **commonly** associated with the term '***Zakat***? (You may answer more than one)
   a. Zakat fitrah
   b. *Zakat* on mutual funds
   c. *Zakat* on gold
   d. *Zakat* on money kept in a savings account
   e. *Zakat* on TAP account
   f. None of the above
   g. I don't know

4. [CARD H] Please answer 'Yes', 'No' or 'Not Sure':

Question: Can *zakat* be…

	Question	Yes	No	Not Sure
a.	… **given** to *zakat* recipients for personal/ household needs?			
b.	… **lent** to *zakat* recipients for personal/ household needs?			
c.	… **given** to *zakat* recipients for business-related purposes?			
d.	… **lent** to *zakat* recipients for business-related purposes?			
e.	… given to elderly individuals, who need some cash but are not able to work?			
f.	… used by *zakat* institutions to pay education fees?			
g.	… used by *zakat* institutions to provide *takaful* products, such as disability income insurance/ *takaful*?			

5. [CARD I] Please answer ‘Yes’, ‘No’ or ‘Not Sure’:

Question: Can the proceeds from *wakaf* be…

	Question	Yes	No	Not Sure
a.	… **given** to *wakaf* recipients for personal/ household needs?			
b.	… **lent** to *wakaf* recipients for personal/ household needs?			
c.	… **given** to *wakaf* recipients for business-related purposes?			
d.	… **lent** to *wakaf* recipients for business-related purposes?			
e.	… given to elderly individuals, who need some cash but are not able to work?			
f.	… used by *wakaf* institutions to pay education fees?			
g.	… used by *wakaf* institutions to provide *takaful* products, such as disability income insurance/ *takaful*?			

Section E: Assets and Financing
(INTERVIEWER: PROVIDE SECTION E & ENVELOPE TO RESPONDENT)

Section F: Financial Opinion and Knowledge

1. (i) [CARD J] Which of the following do you feel is the **greatest** cause of serious financial difficulty, where families cannot pay their bills? (You may answer more than one)

 (ii) INTERVIEWER: IF MORE THAN ONE ANSWER IS PROVIDED, ASK: 'For the answers given, rank the answers with '1' being the greatest cause of financial difficulty, '2' being the second main cause, and so on.'

(i) Tick	(ii) Rank	
________	________	a. Bad luck, such as unexpected illness or job loss.
________	________	b. Not enough savings
________	________	c. Buying too much on credit.
________	________	d. Not following a financial plan.
________	________	e. Not being able to earn enough money.
________	________	f. Spending more than one's earnings.

INTERVIEWER: THE FOLLOWING QUESTIONS DO NOT NEED TO BE READ OUT. INFORM RESPONDENT TO READ THROUGH THE SCENARIOS & ENCOURAGE RESPONDENT TO ASK QUESTIONS.

2. [CARD K] Imagine that the profit rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?
   a. After 1 year, I can buy more goods than I can today.
   b. After 1 year, I can buy exactly the same amount of goods.
   c. After 1 year, I can buy less goods than I can today.
   d. I don't know

3. [CARD L] Some people put aside money to take care of unexpected expenses. If Ali and Mariam have money put aside for emergencies, in which of the following forms would it be of **LEAST** benefit to them if they needed it right away?
   a. Invested in a down payment on the house.
   b. Mutual funds
   c. Stocks
   d. Savings account
   e. I don't know

4. [CARD M] Aishah who is 25 years old, had just finished planning for her retirement. She has decided to retire when she turns 60. Which statement(s) reflects that Aishah had made a **good** retirement plan? (You may answer more than one)
    a. She plans to regularly save some money for retirement.
    b. She decides to put her entire savings into her savings account, until she turns 60.
    c. She should know now, the total amount that she should have, upon reaching 60.
    d. She has enough time to save for her retirement and should only start saving when she is 55 years old.
    e. I don't know

INTERVIEWER: CHECK IF RESPONDENT HAS ANY QUESTIONS. IF THERE ARE ASPECTS TO FOLLOWUP ON, ASK WHEN IS THE BEST DAY/TIME TO CONTACT THEM.

- THANK YOU -

SECTION E: ASSETS AND FINANCING
Instructions: Please answer the questions below. Once completed, please return this section in the enclosed envelope. All responses will be kept **confidential**.

1. Do **you (and your spouse**, if applicable) own any of these accounts/investments? If yes, please provide an **estimated value** in the relevant boxes.

	Accounts/Investments	Total Amount (BND)
a.	Savings accounts	
b.	Current accounts	
c.	Fixed Deposits	
d.	TAP account	
e.	Mutual funds	
f.	Bonds	
g.	Shares	
h.	Cash value of life insurance/ Family *takaful* (which provides sum to beneficiaries should individual pass away during duration of policy)	
i.	Others, please specify:	

2. Do **you (and your spouse**, if applicable) own any of these properties/equities? If yes, please provide an **estimated value** in the relevant boxes.

	Property/Equity	Total Amount (BND)
a.	Vehicles (Market value)	
b.	Primary residence (Purchase price/ Market value – Cancel where applicable)	
c.	Other residential property (Purchase price/ Market value – Cancel where applicable)	

	Property/Equity	Total Amount (BND)
d.	Equity in non-residential property (Value of non-residential property, after deducting debt)	
e.	Business equity (Value of business, after deducting debt)	
f.	Others, please specify:	

3. Do **you (and your spouse**, if applicable) hold any of these financing or debt? If yes, please provide an **estimated value**, representing your **remaining debt balance**.

	Financing	Total Amount (BND)
a.	Personal loan/ financing	
b.	Home financing/ mortgage	
c.	Motor vehicle loan/ financing	
d.	Credit card balance	
e.	Education loan/ financing	
f.	Computer loan/ financing	
g.	Pawn Broking/ *Ar Rahnu*	
h.	Others, please specify:	

SHOWCARD A (Section B, Question 1):

1 – Not important at all
2 – Low importance
3 – Slightly important
4 – Neutral
5 – Moderately important
6 – Very important
7 – Extremely important

On a scale of 1 to 7, how important are the following financial products/ services to **you**, or for your **own usage**?

a.	Savings account
b.	Current account
c.	Fixed deposit
d.	Mutual fund
e.	Bonds
f.	Shares
g.	Life insurance/ Family *takaful,* which provides sum to beneficiaries, should the individual pass away during duration of policy.
h.	Home insurance/ *takaful*
i.	Personal accident or disability insurance/ *takaful* (Does not include motor vehicle insurance/ *takaful*)
j.	Personal loan/ financing
k.	Home financing/ mortgage
l.	Motor vehicle loan/ financing
m.	Credit cards
n.	Education loan/ financing
o.	Computer loan/ financing
p.	Pawn Broking/ *Ar Rahnu*
q.	Financial planning services

***SHOWCARD B* (Section B, Question 3):**

Have you ever **considered** applying for any of these financial products/ services but **decided not to**, due to the high costs or difficulty in meeting the bank's requirements?

a.	Savings account
b.	Current account
c.	Fixed deposit
d.	Mutual fund
e.	Bonds
f.	Shares
g.	Life insurance/ Family *takaful,* which provides sum to beneficiaries, should the individual pass away during duration of policy.
h.	Home insurance/ *takaful*
i.	Personal accident or disability insurance/ *takaful* (Does not include motor vehicle insurance/ *takaful*)
j.	Personal loan/ financing
k.	Home financing/ mortgage
l.	Motor vehicle loan/ financing
m.	Credit cards
n.	Education loan/ financing
o.	Computer loan/ financing
p.	Pawn Broking/ *Ar Rahnu*
q.	Financial planning services

SHOWCARD C **(Section C, Question 2):**

What are your **household's** most important reasons for saving? (You may answer more than one). Please state the reasons you are **currently saving for**, not what you intend to save in the future.

a. Children's education; education of grandchildren
b. Own education; spouse's education
c. Buy own house
d. Buy a car or other vehicle
e. Home improvements/repairs
f. To get married
g. To travel; take vacations
h. Buy durable household goods/appliances
i. Buy hobby items
j. Buy things when we need/want them
k. Charitable or religious contributions
l. Buy (invest in) own business/farm; equipment for business/farm
m. Retirement/old age (Not including TAP/Tabung Amanah Pekerja and the Supplemental Contributory Pension)
n. Reserves in case of unemployment
o. Emergencies; other unexpected needs; for "security"
p. To meet contractual commitments (debt repayment, insurance, etc.)
q. Ordinary living expenses/bills
r. Liquidity; to have cash available/on hand
s. Others, please specify: __________

***SHOWCARD D* (Section C, Question 3):**

On a scale of 1 to 5, how frequently do you carry out the following activities?
1 – Never
2 – Rarely
3 – Sometimes
4 – Almost every time
5 – Every time

a.	I compare my monthly income against my monthly expenses.
b.	I use a written budget to compare my monthly income against monthly expenses.
c.	I use a written budget to compare planned cash flow against actual cash flow.
d.	I keep some money aside for emergencies.

***SHOWCARD E* (Section D, Question 1):**

On a scale of 1 to 5, do you agree or disagree with the statements below?
1 – Strongly Disagree
2 – Disagree
3 – Not Sure
4 – Agree
5 – Strongly Agree

a.	I understand the concept of Islamic financial planning.	1	2	3	4	5
b.	In Brunei, there are enough Islamic financial planners in Islamic banks, to serve customer needs.	1	2	3	4	5
c.	I believe *wakaf* funds can be used to reduce poverty.	1	2	3	4	5

SHOWCARD F **(Section D, Question 2):**

In **Brunei**, which of the following is **commonly** associated with the term '***Wakaf***'? (You may answer more than one)

a. A donated sum to build or maintain a mosque.
b. Donation of religious books, such as *Yassin*.
c. Cash endowment
d. A library built in a rural area, donated by the public.
e. A shopping mall built using donated funds.
f. None of the above
g. I don't know

SHOWCARD G **(Section D, Question 3):**

In **Brunei**, which of the following is **commonly** associated with the term '***Zakat***? (You may answer more than one)

a. Zakat fitrah
b. *Zakat* on mutual funds
c. *Zakat* on gold
d. *Zakat* on money kept in a savings account
e. *Zakat* on TAP account
f. None of the above
g. I don't know

SHOWCARD H **(Section D, Question 4):**

Please answer 'Yes', 'No' or 'Not Sure':

Question: Can *zakat* be…

a.	… **given** to *zakat* recipients for personal/ household needs?
b.	… **lent** to *zakat* recipients for personal/ household needs?
c.	… **given** to *zakat* recipients for business-related purposes?
d.	… **lent** to *zakat* recipients for business-related purposes?
e.	… given to elderly individuals, who need some cash but are not able to work?
f.	… used by *zakat* institutions to pay education fees?
g.	… used by *zakat* institutions to provide *takaful* products, such as disability income insurance/ *takaful*?

***SHOWCARD I* (Section D, Question 5):**

Please answer 'Yes', 'No' or 'Not Sure':

Question: Can the proceeds from *wakaf* be…

a.	… **given** to *wakaf* recipients for personal/ household needs?
b.	… **lent** to *wakaf* recipients for personal/ household needs?
c.	… **given** to *wakaf* recipients for business-related purposes?
d.	… **lent** to *wakaf* recipients for business-related purposes?
e.	… given to elderly individuals, who need some cash but are not able to work?
f.	… used by *wakaf* institutions to pay education fees?
g.	… used by *wakaf* institutions to provide *takaful* products, such as disability income insurance/ *takaful*?

***SHOWCARD J* (Section F, Question 1):**

Which of the following do you feel is the **greatest** cause of serious financial difficulty, where families cannot pay their bills? (You may answer more than one)

a. Bad luck, such as unexpected illness or job loss.
b. Not enough savings
c. Buying too much on credit.
d. Not following a financial plan.
e. Not being able to earn enough money.
f. Spending more than one's earnings.

***SHOWCARD K* (Section F, Question 2):**

Imagine that the profit rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?

a. After 1 year, I can buy more goods than I can today.
b. After 1 year, I can buy exactly the same amount of goods.
c. After 1 year, I can buy less goods than I can today.
d. I don't know

***SHOWCARD L* (Section F, Question 3):**

Some people put aside money to take care of unexpected expenses. If Ali and Mariam have money put aside for emergencies, in which of the following forms would it be of **LEAST** benefit to them if they needed it right away?

a. Invested in a down payment on the house.
b. Mutual funds
c. Stocks
d. Savings account
e. I don’t know

***SHOWCARD M* (Section F, Question 4):**

Aishah who is 25 years old, had just finished planning for her retirement. She has decided to retire when she turns 60. Which statement(s) reflects that Aishah had made a **good** retirement plan? (You may answer more than one)

a. She plans to regularly save some money for retirement.
b. She decides to put her entire savings into her savings account, until she turns 60.
c. She should know now, the total amount that she should have, upon reaching 60.
d. She has enough time to save for her retirement and should only start saving when she is 55 years old.
e. I don’t know

SOALAN KAJI SELIDIK BERKENAAN PERANCANGAN KEWANGAN

No. Rujukan : ________________

Tarikh : ________________

Mukim : ________________

Arahan kepada penemuduga:

1. Kertas pengenalan perlu diberikan kepada para responden, dan huraikan aspek-aspek utama, khususnya:
    - Jelaskan bahawa jawapan responden akan digunakan untuk kajian ini **sahaja**, dengan tujuan untuk mencari **cara yang lebih baik** didalam pengutipan dan pengagihan *zakat*, serta peranan *wakaf* di dalam mengurangkan kemiskinan.
    - Semua respon adalah dikira **sulit**, dan nama para responden tidak akan ditulis pada kertas soalan.
    - Kesemua bahagian (kecuali bahagian E) perlu dijawab secara **lisan** oleh **ketua keluarga**.

2. Jawapan kepada bahagian E perlu diletakkan di dalam sampul surat bagi mengelak sensitiviti. Pastikan setiap sampul mempunyai **nombor rujukan yang sama** dengan kertas soalan kaji selidik, tanpa menyertakan nama responden pada sampul.

Bahagian A: Informasi Latar Belakang

1. Jantina:
    a. Lelaki
    b. Perempuan

2. Sila nyatakan umur awda: __________

3. Apakah tahap tertinggi pendidikan formal awda? (PENEMUDUGA: SILA NYATAKAN JAWAPAN DALAM BENTUK JUMLAH TAHUN MENGIKUTI PENDIDIKAN FORMAL): ________ tahun

4. Apakah status kelamin awda?
    a. Bujang
    b. Berkahwin
    c. Bercerai
    d. Balu

5. Dari segi pekerjaan, adakah awda …
    a. Berkhidmat dengan kerajaan
    b. Berkhidmat dengan sektor swasta
    c. Bekerja sendiri
    d. Bekerja dalam pertanian/perikanan
    e. Sedang mencari pekerjaan secara aktif
    f. Pelajar
    g. Bersara
    h. Surirumah
    i. Lain-lain, sila nyatakan: __________

6. Sila nyatakan sumber pendapatan awda (Awda boleh memilih lebih daripada satu):
    a. Gaji
    b. Pendapatan perniagaan
    c. Pendapatan penyewaan
    d. Pendapatan daripada pertanian/perikanan
    e. Bantuan agensi kerajaan atau swasta
    f. Lain-lain, sila nyatakan: __________

7. Sila nyatakan:
    (a) Jumlah individu yang tinggal di rumah awda, termasuk awda: __________
    (b) Jumlah individu yang mempunyai pendapatan di rumah awda: __________

8. Sila nyatakan jumlah keseluruhan pendapatan bulanan **awda dan pasangan awda** (PENEMUDUGA: JELASKAN KEPADA PARA RESPONDEN BAHAWA PENDAPATAN DI SINI MERUJUK KEPADA SEMUA BENTUK PENDAPATAN YANG TELAH DISEBUTKAN PADA SOALAN 6, KECUALI BAGI PILIHAN E).

   Jumlah keseluruhan pendapatan bulanan = BND _______________

9. Sila nyatakan jenis kediaman awda pada masa ini:
   a. Tempat tinggal persendirian (Sila lanjutkan ke Bahagian B)
   b. Tempat tinggal yang disewa, dimiliki oleh pemilik swasta (Sila lanjutkan ke Bahagian B)
   c. Tempat tinggal yang disewa, dimiliki oleh kerajaan (Sila lanjutkan ke Soalan 10)
   d. Lain-lain, sila nyatakan:
   ____

10. Sila nyatakan jenis perumahan kerajaan yang awda diami pada masa ini:
    a. Kediaman yang berkaitan dengan program bantuan/ kebajikan.
    b. Kediaman yang berkaitan dengan institusi tempat bekerja.
    c. Lain-lain, sila nyatakan: __________

Bahagian B: Produk dan Perkhidmatan Kewangan

1. [KAD A] Pada skala 1 hingga 7, sejauhmana pentingnya produk-produk/perkhidmatan kewangan berikut kepada **awda**, atau untuk **kegunaan awda**? [1 – Tidak penting sama sekali, 2 – Kurang penting, 3 – Sedikit penting, 4 – Neutral, 5 – Sederhana penting, 6 – Penting, 7 – Sangat penting]

2. Pernahkah awda memohon mana-mana produk/perkhidmatan kewangan berikut tetapi tidak berjaya untuk memohonnya?

3. [KAD B] Pernahkah awda **memikirkan** untuk memohon sesuatu produk/perkhidmatan kewangan tetapi mengambil keputusan untuk **tidak memohon**, kerana kos yang tinggi atau keperluan bank tidak dapat dipenuhi?

		1. Tahap Kepentingan							2.	3.
a.	Akaun Simpanan	1	2	3	4	5	6	7		
b.	Akaun Semasa	1	2	3	4	5	6	7		
c.	Simpanan Tetap (Fixed Deposit)	1	2	3	4	5	6	7		
d.	Amanah Saham/ Dana Bersama (Mutual fund)	1	2	3	4	5	6	7		
e.	Bon	1	2	3	4	5	6	7		
f.	Saham	1	2	3	4	5	6	7		
g.	Insurans Nyawa/ *Takaful* Keluarga (Dimana sekiranya pemegang polisi meninggal dunia sebelum polisi mansuh, sesuatu jumlah akan diberikan kepada penerima tertentu.)	1	2	3	4	5	6	7		
h.	Insurans/ *Takaful* Rumah Kediaman	1	2	3	4	5	6	7		
i.	Insurans/ *Takaful* Kemalangan Diri (Tidak termasuk insurans/ *takaful* kenderaan)	1	2	3	4	5	6	7		

j.	Pinjaman/ Pembiayaan Peribadi	1	2	3	4	5	6	7		
k.	Pinjaman/ Pembiayaan Rumah	1	2	3	4	5	6	7		
l.	Pinjaman/ Pembiayaan Kenderaan Bermotor	1	2	3	4	5	6	7		
m.	Kad Kredit	1	2	3	4	5	6	7		
n.	Pinjaman/ Pembiayaan Pendidikan	1	2	3	4	5	6	7		
o.	Pinjaman/ Pembiayaan Komputer	1	2	3	4	5	6	7		
p.	Penggadaian/ *Ar Rahnu*	1	2	3	4	5	6	7		
q.	Perkhidmatan Perancangan Kewangan	1	2	3	4	5	6	7		

4. Adakah awda menggunakan mana-mana produk atau perkhidmatan berikut?

	Produk dan Perkhidmat Kewangan	Ya	Tidak
a.	Insurans/ *Takaful* Rumah Kediaman		
b.	Insurans/ *Takaful* Kemalangan Diri (Tidak termasuk insurans/ *takaful* kenderaan)		
c.	Perkhidmatan Perancangan Kewangan		

5. Sila jawab ‘Ya’ atau ‘Tidak’:

	Soalan	Ya	Tidak
a.	Selain daripada insurans/ *takaful* kenderaan, adakah awda menggunakan insurans/ *takaful* yang lain bagi tujuan kecemasan?		
b.	Pernahkah awda mengumpul kesemua informasi kewangan awda, menyemaknya sendiri atau bersama dengan perancang kewangan, dan seterusnya menyediakan pelan kewangan bagi tujuan persaraan awda?		

Bahagian C: Perancangan Kewangan

1. Adakah awda menyimpan/ menabung secara tetap/ rutin?

d. Ya, saya menyimpan/ menabung secara tetap/ rutin.
e. Tidak, tetapi saya cuba menyimpan apabila mampu.
f. Tidak, saya tidak dapat/mampu untuk menyimpan (Sila lanjutkan ke Soalan 3)

2. [KAD C] (a) Bagi **rumahtangga** awda, apakah sebab-sebab utama untuk menyimpan/ menabung? (Awda boleh mempunyai lebih daripada satu jawapan). Sila berikan sebab awda **menyimpan pada masa ini**, dan bukan untuk penyimpanan wang yang akan dilakukan di masa hadapan.
PENEMUDUGA: SELEPAS JAWAPAN DIBERIKAN, SILA TANYA: 'Adakah terdapat sebab-sebab lain yang tidak disenaraikan?'

(b) PENEMUDUGA: JIKA LEBIH DARIPADA SATU SEBAB DIBERIKAN, SILA TANYA: 'Dari sebab-sebab yang awda berikan, apakah tiga sebab utama awda menabung/ menyimpan?' (PENEMUDUGA: SILA TULISKAN NOMBOR 1 PADA SEBAB UTAMA YANG PALING PENTING, DAN SETERUSNYA NOMBOR 2 DAN 3 PADA SEBAB YANG MEMPUNYAI TAHAP KEUTAMAAN YANG BERIKUTNYA).

(a) Tanda	(b) Kedudukan	
______	______	a. Pendidikan anak-anak; Pendidikan cucu
______	______	b. Pendidikan sendiri; Pendidikan pasangan
______	______	c. Membeli rumah sendiri
______	______	d. Membeli kereta atau sebarang kenderaan
______	______	e. Pembaikan atau pengubahsuaian rumah
______	______	f. Berkahwin
______	______	g. Melancong; Bercuti
______	______	h. Membeli peralatan rumah
______	______	i. Membeli barang keperluan hobi
______	______	j. Membeli barang sewaktu diperlukan/diingini
______	______	k. Sumbangan berbentuk amal atau keagamaan
______	______	l. Membeli atau melabur untuk perusahaan/ ladang persendirian termasuk pembelian kelengkapan
______	______	m. Persaraan/ Hari tua (tidak termasuk Tabung Amanah Pekerja dan Skim Pencen Caruman Tambahan)
______	______	n. Simpanan sekiranya tidak mempunyai pekerjaan pada masa hadapan
______	______	o. Kecemasan; atau untuk sebarang keperluan yang tidak dijangka
______	______	p. Bagi memenuhi sebarang komitmen berkontrak (Pembayaran semula hutang, insurans dsb.)
______	______	q. Perbelanjaan seharian / Bil
______	______	r. Untuk mempunyai wang tunai sedia/penggunaan serta merta
______	______	s. Lain-lain, sila nyatakan:

3. [KAD D] Pada skala 1 hingga 5, seberapa kerap awda menjalankan aktiviti berikut? [1 – Tidak Pernah, 2 – Jarang, 3 – Kadang-kadang , 4 – Hampir setiap kali, 5 – Setiap kali]

a.	Saya membandingkan pendapatan bulanan saya dengan perbelanjaan bulanan saya.	1	2	3	4	5
b.	Saya menggunakan belanjawan/ bajet bertulis, untuk membandingkan pendapatan bulanan dengan perbelanjaan bulanan.	1	2	3	4	5
c.	Saya menggunakan belanjawan/ bajet bertulis, untuk membandingkan aliran kewangan yang dirancang dengan aliran kewangan sebenar.	1	2	3	4	5
d.	Saya menyimpan sebahagian wang bagi tujuan kecemasan.	1	2	3	4	5

Bahagian D: Pandangan berkenaan Perancangan Kewangan Islam, *Zakat* dan *Wakaf*

1. [KAD E] Pada skala 1 hingga 5, adakah awda bersetuju atau tidak dengan keterangan berikut? [1 – Sangat tidak bersetuju, 2 – Tidak bersetuju, 3 – Tidak Pasti, 4 – Bersetuju, 5 – Sangat bersetuju]

a.	Saya memahami konsep perancangan kewangan Islam.	1	2	3	4	5
b.	Jumlah perancang kewangan Islam di bank-bank Islam di Brunei, adalah mencukupi untuk memenuhi keperluan pelanggan.	1	2	3	4	5
c.	Saya percaya bahawa dana wakaf boleh digunakan untuk mengurangkan kemiskinan.	1	2	3	4	5

<u>PENEMUDUGA</u>: UNTUK SOALAN 2 & 3, BACA SOALAN TERSEBUT SAHAJA.

2. [KAD F] Kenyataan manakah yang **sering dihubungkaitkan di Brunei**, dengan istilah '***Wakaf***'? (Awda boleh memilih lebih daripada satu)
   a. Sumbangan wang untuk membina atau menyelenggara masjid.
   b. Sumbangan buku-buku keugamaan, umpamanya naskah Yassin.
   c. Dermaan wang tunai
   d. Perpustakaan yang dibina di kawasan pedalaman hasil sumbangan masyarakat.
   e. Pusat membeli belah yang dibina hasil sumbangan derma.
   f. Tidak tersenarai di atas
   g. Saya tidak tahu

3. [KAD G] Kenyataan manakah yang **sering dihubungkaitkan di Brunei**, dengan istilah '***Zakat***'? (Awda boleh memilih lebih daripada satu)
   a. *Zakat fitrah*
   b. *Zakat* ke atas amanah saham/ dana bersama (Mutual fund)
   c. *Zakat* emas
   d. *Zakat* ke atas wang di dalam akaun simpanan
   e. *Zakat* ke atas akaun TAP
   f. Tidak tersenarai di atas
   g. Saya tidak tahu

4. [KAD H] Sila jawab ‘Ya’, ‘Tidak’ atau ‘Tidak Pasti’:

Soalan: Bolehkah *zakat…*

	Soalan	Ya	Tidak	Tidak Pasti
a.	… **diberikan** kepada penerima *zakat* untuk penggunaan peribadi/ keperluan rumah?			
b.	… **dipinjamkan** kepada penerima *zakat* untuk penggunaan peribadi/ keperluan rumah?			
c.	… **diberikan** kepada penerima *zakat* untuk penggunaan perniagaan?			
d.	… **dipinjamkan** kepada penerima *zakat* untuk penggunaan perniagaan?			
e.	… diberikan kepada golongan warga emas yang memerlukan wang akan tetapi tidak berupaya untuk berkerja?			
f.	… digunakan oleh institusi *zakat* untuk membayar yuran pendidikan?			
g.	… digunakan oleh institusi *zakat* untuk menyediakan produk *takaful*, seperti Insurans/ *Takaful* Kemalangan Diri?			

5. [KAD I] Sila jawab 'Ya', 'Tidak' atau 'Tidak Pasti':

Soalan: Bolehkah hasil keuntungan dari *wakaf*…

	Soalan	Ya	Tidak	Tidak Pasti
a.	… **diberikan** kepada penerima *wakaf* untuk penggunaan peribadi/ keperluan rumah?			
b.	… **dipinjamkan** kepada penerima *wakaf* untuk penggunaan peribadi/ keperluan rumah?			
c.	… **diberikan** kepada penerima *wakaf* untuk penggunaan perniagaan?			
d.	… **dipinjamkan** kepada penerima *wakaf* untuk penggunaan perniagaan?			
e.	… diberikan kepada golongan warga emas yang memerlukan wang akan tetapi tidak berupaya untuk berkerja?			
f.	… digunakan oleh institusi *wakaf* untuk membayar yuran pendidikan?			
g.	… digunakan oleh institusi *wakaf* untuk menyediakan produk *takaful*, seperti Insurans/ *Takaful* Kemalangan Diri?			

Bahagian E: Harta dan Pembiayaan
(PENEMUDUGA: BERIKAN BAHAGIAN E & SAMPUL SURAT KEPADA RESPONDEN)

Bahagian F: Pendapat dan Pengetahuan Mengenai Kewangan

1. (i) [KAD J] Pada pendapat awda, apakah faktor **utama** yang menyebabkan timbulnya masalah kewangan yang serius sehingga menyebabkan berlakunya kegagalan untuk membayar bil? (Awda boleh memilih lebih daripada satu)

   (ii) PENEMUDUGA: JIKA LEBIH DARI SATU JAWAPAN DIBERIKAN, SILA TANYA: 'Untuk jawapan yang diberikan, tandakan '1' untuk faktor paling utama, '2' untuk faktor kedua dan seterusnya.'

(i) Tanda	(ii) Kedudukan	
________	______________	a. Tidak bernasib baik, seperti sakit yang tidak dijangka atau hilang perkerjaan.
________	______________	b. Simpanan yang tidak mencukupi.
________	______________	c. Terlalu banyak menggunakan kad kredit.
________	______________	d. Tidak mengikuti perancangan kewangan.
________	______________	e. Tidak mampu untuk mencari pendapatan lebih.
________	______________	f. Terlalu banyak berbelanja (berbanding dengan pendapatan).

PENEMUDUGA: SOALAN-SOALAN BERIKUT TIDAK PERLU DIBACAKAN. JELASKAN KEPADA RESPONDEN UNTUK MEMBACA SCENARIO TERSEBUT & BERTANYA JIKA MEMPUNYAI SEBARANG PERTANYAAN

2. [KAD K] Sekiranya kadar keuntungan dari akaun simpanan awda adalah 1% setiap tahun dan kadar inflasi adalah 2% setiap tahun. Setelah satu tahun, berapa banyak barangan yang boleh dibeli menggunakan wang dari akaun ini?
   a. Setelah satu tahun, saya boleh membeli lebih banyak barang, berbanding dengan masa sekarang.
   b. Setelah satu tahun, saya boleh membeli jumlah barangan yang sama.
   c. Setelah satu tahun, jumlah barangan yang saya beli berkurangan, berbanding dengan masa sekarang.
   d. Saya tidak pasti

3. [KAD L] Kebanyakan orang menyimpan wang bagi tujuan kecemasan. Jika Ali dan Mariam menyimpan wang bagi tujuan kecemasan, dalam bentuk manakah yang **PALING KURANG** memberi manfaat jika mereka memerlukannya dengan segera?
   a. Pembayaran pendahuluan (Down payment) bagi pinjaman rumah.
   b. Amanah Saham/ Dana Bersama (Mutual fund)
   c. Saham
   d. Akaun simpanan
   e. Saya tidak pasti

4. [KAD M] Aishah yang berumur 25 tahun telah selesai merancang untuk persaraan beliau. Beliau telah mengambil keputusan untuk bersara pada umur 60 tahun. Jawapan manakah yang menunjukkan bahawa Aishah telah membuat perancangan persaraan yang **baik**? (Awda boleh memilih lebih daripada satu)
    a. Beliau merancang untuk menyimpan secara tetap/rutin untuk persaraan beliau.
    b. Beliau mengambil keputusan untuk menyimpan seluruh simpanan beliau ke dalam akaun simpanan sehingga berumur 60 tahun.
    c. Beliau sudah sepatutnya tahu jumlah keseluruhan yang patut disimpan apabila mencapai umur 60 tahun.
    d. Beliau mempunyai masa yang mencukupi untuk menyimpan wang bagi persaraan beliau dan hanya perlu mula menyimpan apabila berumur 55 tahun.
    e. Saya tidak pasti

PENEMUDUGA: PASTIKAN JIKA RESPONDEN MEMPUNYAI APA-APA SOALAN. JIKA ADA APA-APA ASPEK UNTUK DISUSULI, PASTIKAN HARI/MASA YANG SESUAI UNTUK MENGHUBUNGI MEREKA.

- TERIMA KASIH -

Bahagian E: Harta dan Pembiayaan
Arahan: Sila jawab soalan-soalan berikut. Setelah selesai, sila kembalikan bahagian ini di dalam sampul surat yang disertakan. Semua jawapan awda adalah dikira **sulit**.

1. Adakah **awda (dan pasangan awda**, jika relevan) memiliki akaun-akaun atau pelaburan berikut? Jika Ya, sila nyatakan **anggaran nilai** akaun/pelaburan tersebut.

	Akaun / Perlaburan	Jumlah keseluruhan (BND)
a.	Akaun Simpanan	
b.	Akaun Semasa	
c.	Simpanan Tetap (Fixed Deposit)	
d.	Akaun TAP	
e.	Amanah Saham/ Dana Bersama (Mutual fund)	
f.	Bon	
g.	Saham	
h.	Insurans Nyawa/ *Takaful* Keluarga (Dimana sekiranya pemegang polisi meninggal dunia sebelum polisi mansuh, sesuatu jumlah akan diberikan kepada penerima tertentu.) (Sila nyatakan nilai tunai/ 'cash value' sahaja)	
i.	Lain-lain, sila nyatakan:	

2. Adakah **awda (dan pasangan awda**, jika relevan) memiliki hartanah atau ekuiti berikut? Jika Ya, sila nyatakan **anggaran nilai** hartanah/ekuiti tersebut.

	Hak Milik/Ekuiti	Jumlah keseluruhan (BND)
a.	Kenderaan (Nilai Pasaran)	
b.	Kediaman Tetap (Harga Asal/ Nilai Pasaran – Sila pangkah yang tidak relevan)	

	Hak Milik/Ekuiti	Jumlah keseluruhan (BND)
c.	Hak milik kediaman yang lain (Harga Asal/ Nilai Pasaran – Sila pangkah yang tidak relevan)	
d.	Hartanah yang bukan bersifat kediaman (Nilai hartanah selepas ditolak pinjaman/ pembiayaan)	
e.	Ekuiti Perniagaan (Nilai perniagaan selepas ditolak pinjaman/ pembiayaan)	
f.	Lain-lain, sila nyatakan:	

3. Adakah **awda (dan pasangan awda**, jika relevan) mempunyai sebarang pembiayaan atau hutang? Jika Ya, sila nyatakan **anggaran nilai baki hutang** pembiayaan tersebut.

	Pembiayaan	Jumlah Keseluruhan (BND)
a.	Pinjaman/ Pembiayaan Peribadi	
b.	Pinjaman/ Pembiayaan Rumah	
c.	Pinjaman/ Pembiayaan Kenderaan Bermotor	
d.	Baki kad kredit	
e.	Pinjaman/ Pembiayaan Pendidikan	
f.	Pinjaman/ Pembiayaan Komputer	
g.	Penggadaian/ *Ar Rahnu*	
h.	Lain-lain, sila nyatakan:	

KAD A (Bahagian B, Soalan 1):

1 – Tidak penting sama sekali
2 – Kurang penting
3 – Sedikit penting
4 – Neutral
5 – Sederhana penting
6 – Penting
7 – Sangat penting

Pada skala 1 hingga 7, sejauhmana pentingnya produk-produk/perkhidmatan kewangan berikut kepada **awda**, atau untuk **kegunaan awda**?

a.	Akaun Simpanan
b.	Akaun Semasa
c.	Simpanan Tetap (Fixed Deposit)
d.	Amanah Saham/ Dana Bersama (Mutual fund)
e.	Bon
f.	Saham
g.	Insurans Nyawa/ *Takaful* Keluarga (Dimana sekiranya pemegang polisi meninggal dunia sebelum polisi mansuh, sesuatu jumlah akan diberikan kepada penerima tertentu.)
h.	Insurans / *Takaful* Rumah Kediaman
i.	Insurans / *Takaful* Kemalangan Diri (Tidak termasuk insurans/ *takaful* kenderaan)
j.	Pinjaman/ Pembiayaan Peribadi
k.	Pinjaman/ Pembiayaan Rumah
l.	Pinjaman/ Pembiayaan Kenderaan Bermotor
m.	Kad Kredit
n.	Pinjaman/ Pembiayaan Pendidikan
o.	Pinjaman/ Pembiayaan Komputer
p.	Penggadaian/ *Ar Rahnu*
q.	Perkhidmatan Perancangan Kewangan

KAD B (Bahagian B, Soalan 3):

Pernahkah awda **memikirkan** untuk memohon sesuatu produk/perkhidmatan kewangan tetapi mengambil keputusan untuk **tidak memohon**, kerana kos yang tinggi atau keperluan bank tidak dapat dipenuhi?

a.	Akaun Simpanan
b.	Akaun Semasa
c.	Simpanan Tetap (Fixed Deposit)
d.	Amanah Saham/ Dana Bersama (Mutual fund)
e.	Bon
f.	Saham
g.	Insurans Nyawa/ *Takaful* Keluarga (Dimana sekiranya pemegang polisi meninggal dunia sebelum polisi mansuh, sesuatu jumlah akan diberikan kepada penerima tertentu.)
h.	Insurans / *Takaful* Rumah Kediaman
i.	Insurans / *Takaful* Kemalangan Diri (Tidak termasuk insurans/ *takaful* kenderaan)
j.	Pinjaman/ Pembiayaan Peribadi
k.	Pinjaman/ Pembiayaan Rumah
l.	Pinjaman/ Pembiayaan Kenderaan Bermotor
m.	Kad Kredit
n.	Pinjaman/ Pembiayaan Pendidikan
o.	Pinjaman/ Pembiayaan Komputer
p.	Penggadaian/ *Ar Rahnu*
q.	Perkhidmatan Perancangan Kewangan

***KAD C* (Bahagian C, Soalan 2):**

Bagi **rumahtangga** awda, apakah sebab-sebab utama untuk menyimpan/ menabung? (Awda boleh mempunyai lebih daripada satu jawapan).

Sila berikan sebab awda **menyimpan pada masa ini**, dan bukan untuk penyimpanan wang yang akan dilakukan di masa hadapan.

a. Pendidikan anak-anak; Pendidikan cucu
b. Pendidikan sendiri; Pendidikan pasangan
c. Membeli rumah sendiri
d. Membeli kereta atau sebarang kenderaan
e. Pembaikan atau pengubahsuaian rumah
f. Berkahwin
g. Melancong; Bercuti
h. Membeli peralatan rumah
i. Membeli barang keperluan hobi
j. Membeli barang sewaktu diperlukan/diingini
k. Sumbangan berbentuk amal atau keagamaan
l. Membeli atau melabur untuk perusahaan/ ladang persendirian termasuk pembelian kelengkapan
m. Persaraan/ Hari tua (tidak termasuk Tabung Amanah Pekerja dan Skim Pencen Caruman Tambahan)
n. Simpanan sekiranya tidak mempunyai pekerjaan pada masa hadapan
o. Kecemasan; atau untuk sebarang keperluan yang tidak dijangka
p. Bagi memenuhi sebarang komitmen berkontrak (Pembayaran semula hutang, insurans dsb.)
q. Perbelanjaan seharian / Bil
r. Untuk mempunyai wang tunai sedia/penggunaan serta merta
s. Lain-lain, sila nyatakan: __________

***KAD D* (Bahagian C, Soalan 3):**

Pada skala 1 hingga 5, seberapa kerap awda menjalankan aktiviti berikut?
1 – Tidak Pernah
2 – Jarang
3 – Kadang-kadang
4 – Hampir setiap kali
5 – Setiap kali

a.	Saya membandingkan pendapatan bulanan saya dengan perbelanjaan bulanan saya.
b.	Saya menggunakan belanjawan/ bajet bertulis, untuk membandingkan pendapatan bulanan dengan perbelanjaan bulanan.
c.	Saya menggunakan belanjawan/ bajet bertulis, untuk membandingkan aliran kewangan yang dirancang dengan aliran kewangan sebenar.
d.	Saya memperuntukkan/menyimpan sebahagian wang bagi tujuan kecemasan.

***KAD E* (Bahagian D, Soalan 1):**

Pada skala 1 hingga 5, adakah awda bersetuju atau tidak dengan keterangan berikut?
1 – Sangat tidak bersetuju
2 – Tidak bersetuju
3 – Tidak Pasti
4 – Bersetuju
5 – Sangat bersetuju

a.	Saya memahami konsep perancangan kewangan Islam.
b.	Jumlah perancang kewangan Islam di bank-bank Islam di Brunei, adalah mencukupi untuk memenuhi keperluan pelanggan.
c.	Saya percaya bahawa dana wakaf boleh digunakan untuk mengurangkan kemiskinan.

***KAD F* (Bahagian D, Soalan 2):**

Kenyataan manakah yang **sering dihubungkaitkan di Brunei**, dengan istilah ‘***Wakaf***’? (Awda boleh memilih lebih daripada satu)

a. Sumbangan wang untuk membina atau menyelenggara masjid.
b. Sumbangan buku-buku keugamaan, umpamanya naskah Yassin.
c. Dermaan wang tunai
d. Perpustakaan yang dibina di kawasan pedalaman hasil sumbangan masyarakat.
e. Pusat membeli belah yang dibina hasil sumbangan derma.
f. Tidak tersenarai di atas
g. Saya tidak tahu

***KAD G* (Bahagian D, Soalan 3):**

Kenyataan manakah yang **sering dihubungkaitkan di Brunei**, dengan istilah ‘***Zakat***’? (Awda boleh memilih lebih daripada satu)

a. *Zakat fitrah*
b. *Zakat* ke atas amanah saham/ dana bersama (Mutual fund)
c. *Zakat* emas
d. *Zakat* ke atas wang di dalam akaun simpanan
e. *Zakat* ke atas akaun TAP
f. Tidak tersenarai di atas
g. Saya tidak tahu

***KAD H* (Bahagian D, Soalan 4):**

Sila jawab ‘Ya’, ‘Tidak’ atau ‘Tidak Pasti’:

Soalan: Bolehkah *zakat…*

a.	… **diberikan** kepada penerima *zakat* untuk penggunaan peribadi/ keperluan rumah?
b.	… **dipinjamkan** kepada penerima *zakat* untuk penggunaan peribadi/ keperluan rumah?
c.	… **diberikan** kepada penerima *zakat* untuk penggunaan perniagaan?
d.	… **dipinjamkan** kepada penerima *zakat* untuk penggunaan perniagaan?
e.	… diberikan kepada golongan warga emas yang memerlukan wang akan tetapi tidak berupaya untuk berkerja?
f.	… digunakan oleh institusi *zakat* untuk membayar yuran pendidikan?
g.	… digunakan oleh institusi *zakat* untuk menyediakan produk *takaful*, seperti Insurans/ *Takaful* Kemalangan Diri?

KAD I **(Bahagian D, Soalan 5):**

Sila jawab ‘Ya’, ‘Tidak’ atau ‘Tidak Pasti’:

Soalan: Bolehkah hasil keuntungan dari *wakaf*…

a.	… **diberikan** kepada penerima *wakaf* untuk penggunaan peribadi/ keperluan rumah?
b.	… **dipinjamkan** kepada penerima *wakaf* untuk penggunaan peribadi/ keperluan rumah?
c.	… **diberikan** kepada penerima *wakaf* untuk penggunaan perniagaan?
d.	… **dipinjamkan** kepada penerima *wakaf* untuk penggunaan perniagaan?
e.	… diberikan kepada golongan warga emas yang memerlukan wang akan tetapi tidak berupaya untuk berkerja?
f.	… digunakan oleh institusi *wakaf* untuk membayar yuran pendidikan?
g.	… digunakan oleh institusi *wakaf* untuk menyediakan produk *takaful*, seperti Insurans/ *Takaful* Kemalangan Diri?

KAD J **(Bahagian F, Soalan 1):**

Pada pendapat awda, apakah faktor **utama** yang menyebabkan timbulnya masalah kewangan yang serius sehingga menyebabkan berlakunya kegagalan untuk membayar bil? (Awda boleh memilih lebih daripada satu)

a. Tidak bernasib baik, seperti sakit yang tidak dijangka atau hilang perkerjaan.
b. Simpanan yang tidak mencukupi
c. Terlalu banyak menggunakan kad kredit.
d. Tidak mengikuti perancangan kewangan.
e. Tidak mampu untuk mencari pendapatan lebih.
f. Terlalu banyak berbelanja (berbanding dengan pendapatan).

***KAD K* (Bahagian F, Soalan 2):**

Sekiranya kadar keuntungan dari akaun simpanan awda adalah 1% setiap tahun dan kadar inflasi adalah 2% setiap tahun. Setelah satu tahun, berapa banyak barangan yang boleh dibeli menggunakan wang dari akaun ini?

a. Setelah satu tahun, saya boleh membeli lebih banyak barang, berbanding dengan masa sekarang.
b. Setelah satu tahun, saya boleh membeli jumlah barangan yang sama.
c. Setelah satu tahun, jumlah barangan yang saya beli berkurangan, berbanding dengan masa sekarang.
d. Saya tidak pasti

***KAD L* (Bahagian F, Soalan 3):**

Kebanyakan orang menyimpan wang bagi tujuan kecemasan. Jika Ali dan Mariam menyimpan wang bagi tujuan kecemasan, dalam bentuk manakah yang **PALING KURANG** memberi manfaat jika mereka memerlukannya dengan segera?

a. Pembayaran pendahuluan (Down payment) bagi pinjaman rumah.
b. Amanah Saham/ Dana Bersama (Mutual fund)
c. Saham
d. Akaun simpanan
e. Saya tidak pasti

***KAD M* (Bahagian F, Soalan 4):**

Aishah yang berumur 25 tahun telah selesai merancang untuk persaraan beliau. Beliau telah mengambil keputusan untuk bersara pada umur 60 tahun. Jawapan manakah yang menunjukkan bahawa Aishah telah membuat perancangan persaraan yang **baik**? (Awda boleh memilih lebih daripada satu)

a. Beliau merancang untuk menyimpan secara tetap/rutin untuk persaraan beliau.
b. Beliau mengambil keputusan untuk menyimpan seluruh simpanan beliau ke dalam akaun simpanan sehingga berumur 60 tahun.
c. Beliau sudah sepatutnya tahu jumlah keseluruhan yang patut disimpan apabila mencapai umur 60 tahun.
d. Beliau mempunyai masa yang mencukupi untuk menyimpan wang bagi persaraan beliau dan hanya perlu mula menyimpan apabila berumur 55 tahun.
e. Saya tidak pasti

Interview Guide

Reference No. : __________

Date : __________

Instruction to Interviewer:

1. Explain rationale for voice recorder and ask permission.

2. Highlight responses will be kept confidential, and respondent's name will not be written on the questionnaire.

3. If a financial product/service is deemed important but is not currently used, inquire the underlying reasons.

    - Pay special attention to the relevant financial products, if respondents answers Section B (Question 2 and 3) of the 'Questionnaire on Financial Planning'.

Question 1: [Card A & B]

The first question tries to understand **how easy or how difficult** it is to **apply** for a particular financial product/service in Brunei. I will also ask about how easy or difficult it is to **use or continue using** a particular financial product/service in Brunei.

The first financial product I want to ask is …
i) How easy or difficult is it to **apply** for a … in Brunei? *[Go through the financial products/services **deemed important**]*

ii) How easy or difficult is it to **use or continue using** the … in Brunei? *[Go through the financial products/services **currently used**]*

	Financial Products	Ease/Difficulty? → Detail reasons/factors → Isl. Banks v. Non-Isl. Banks → Rating *[Check whether the opinion applies across Islamic vs. Non-Islamic banks?]* *[Ascertain the rating: 1 - Extremely easy, 2 – Moderately easy, 3 - Somewhat easy, 4 – Neutral, 5 – Somewhat difficult, 6 – Moderately difficult, 7 – Extremely difficult]*
a.	Savings account	i)
		ii)
b.	Current account	i)
		ii)
c.	Fixed deposit	i)
		ii)

	Financial Products	Ease/Difficulty? → Detail reasons/factors → Isl. Banks v. Non-Isl. Banks → Rating *[Check whether the opinion applies across Islamic vs. Non-Islamic banks?] [Ascertain the rating: 1 - Extremely easy, 2 – Moderately easy, 3 - Somewhat easy, 4 – Neutral, 5 – Somewhat difficult, 6 – Moderately difficult, 7 – Extremely difficult]*
d.	Mutual fund	i)
		ii)
e.	Bonds	i)
		ii)
f.	Shares	i)
		ii)
g.	Life insurance/ *takaful*	i)
		ii)
h.	Home insurance/ *takaful*	i)

	Financial Products	Ease/Difficulty? → Detail reasons/factors → Isl. Banks v. Non-Isl. Banks → Rating *[Check whether the opinion applies across Islamic vs. Non-Islamic banks?]* *[Ascertain the rating: 1 - Extremely easy, 2 – Moderately easy, 3 - Somewhat easy, 4 – Neutral, 5 – Somewhat difficult, 6 – Moderately difficult, 7 – Extremely difficult]*
		ii)
i.	Personal accident or disability insurance/ *takaful*	i)
		ii)
j.	Personal financing	i)
		ii)
k.	Home financing	i)
		ii)
l.	Motor vehicle financing	i)
		ii)

	Financial Products	Ease/Difficulty? → Detail reasons/factors → Isl. Banks v. Non-Isl. Banks → Rating *[Check whether the opinion applies across Islamic vs. Non-Islamic banks?] [Ascertain the rating: 1 - Extremely easy, 2 – Moderately easy, 3 - Somewhat easy, 4 – Neutral, 5 – Somewhat difficult, 6 – Moderately difficult, 7 – Extremely difficult]*
m.	Credit cards	i)
		ii)
n.	Education financing	i)
		ii)
o.	Computer financing	i)
		ii)
p.	Pawn Broking/ *Ar Rahnu*	i)
		ii)
q.	Financial planning services	i)

	Financial Products	Ease/Difficulty? → Detail reasons/factors → Isl. Banks v. Non-Isl. Banks → Rating *[Check whether the opinion applies across Islamic vs. Non-Islamic banks?]* *[Ascertain the rating: 1 - Extremely easy, 2 – Moderately easy, 3 - Somewhat easy, 4 – Neutral, 5 – Somewhat difficult, 6 – Moderately difficult, 7 – Extremely difficult]*
		ii)

Question 2:
Do you receive or have you ever applied for any financial capital (e.g. to run a business) from MUIB, JAPEM or other organizations?

(a) If yes, what happened to your application/request? (If the application was rejected, inquire the reason[s]).

Note: Only ask the question below if the application was successful.
(b) Did the financial capital help your business? (If yes, how? If no, inquire the reason[s]).

Note: Only ask the question below if the financial capital helped the business.
(c) After receiving the financial capital, did you need further financial capital? (If yes, inquire where the additional capital was attained from).

[Do you have any questions for me?]

CARD A:

	Financial Products
a.	Savings account
b.	Current account
c.	Fixed deposit
d.	Mutual fund
e.	Bonds
f.	Shares
g.	Life insurance/ Family *takaful*, which provides sum to beneficiaries, should the individual pass away during duration of policy.
h.	Home insurance/ *takaful*
i.	Personal accident or disability insurance/ *takaful* (Does not include motor vehicle insurance/ *takaful*)
j.	Personal loan/ financing
k.	Home financing/ mortgage
l.	Motor vehicle loan/ financing
m.	Credit cards
n.	Education loan/ financing
o.	Computer loan/ financing
p.	Pawn Broking/ *Ar Rahnu*
q.	Financial planning services

CARD B:

Ease/Difficulty?
1 - Extremely easy
2 - Moderately easy
3 - Somewhat easy
4 - Neutral
5 - Somewhat difficult
6 - Moderately difficult
7 - Extremely difficult

Panduan Temuduga

No. Rujukan : __________

Tarikh : __________

Arahan Kepada Penemuduga:

1. Jelaskan rasional didalam penggunaan perakam suara dan dapatkan keizinan dari responden.

2. Nyatakan semua jawapan adalah dikira **sulit**, dan nama responden tidak akan ditulis pada kertas soalan.

3. Jika sesuatu produk/perkhidmatan dikira penting tetapi tidak diggunakan, tanya kepada para responden akan sebab-sebabnya.

    - Beri perhatian kepada responden yang menjawab 'Soalan Kaji Selidik', Bahagian B (Soalan 2 dan 3).

Soalan 1: [KAD A & B]

Soalan pertama cuba memahami **betapa mudah atau sukar** untuk **memohon** sesuatu produk/perkhidmatan kewangan di Brunei. Saya akan juga bertanya betapa mudah atau sukar untuk **menggunakan atau terus menggunakan** sesuatu produk/perkhidmatan kewangan di Brunei.

Produk kewangan pertama yang ingin saya tanyakan adalah …
i) Adakah mudah atau sukar untuk **memohon** …. di Brunei? *[Rujuk kepada produk-produk/perkhidmatan yang **dianggap penting**]*

ii) Adakah mudah atau sukar untuk **menggunakan atau terus menggunakan** …. di Brunei?*[Rujuk kepada produk-produk/perkhidmatan yang **sedang digunakan**]*

	Produk Kewangan	Mudah/Sukar? → Jelaskan sebab-sebab/faktor-faktor → Bank Islam v. Bank Bukan Islam → Rating/Nilaian *[Semak jika pendapat ini sama atau berlainan diantara bank Islam dan bank bukan-Islam] [Pastikan skala, 1 – Sangat Mudah, 2 – Agak mudah, 3 –Mudah, 4 – Neutral, 5 – Sukar, 6 – Agak sukar, 7 – Sangat sukar]*
a.	Akaun Simpanan	i)
		ii)
b.	Akaun Semasa	i)
		ii)
c.	Simpanan Tetap (Fixed Deposit)	i)
		ii)

	Produk Kewangan	Mudah/Sukar? → Jelaskan sebab-sebab/faktor-faktor → Bank Islam v. Bank Bukan Islam → Rating/Nilaian *[Semak jika pendapat ini sama atau berlainan diantara bank Islam dan bank bukan-Islam] [Pastikan skala, 1 – Sangat Mudah, 2 – Agak mudah, 3 –Mudah, 4 – Neutral, 5 – Sukar, 6 – Agak sukar, 7 – Sangat sukar]*
d.	Amanah Saham/ Dana Bersama (Mutual fund)	i)
		ii)
e.	Bon	i)
		ii)
f.	Saham	i)
		ii)
g.	Insurans Nyawa/ *Takaful* Keluarga[170]	i)
		ii)
h.	Insurans/ *Takaful*	i)

[170] Dimana sekiranya pemegang polisi meninggal dunia sebelum polisi mansuh, sesuatu jumlah akan diberikan kepada penerima tertentu.

	Produk Kewangan	Mudah/Sukar? → Jelaskan sebab-sebab/faktor-faktor → Bank Islam v. Bank Bukan Islam → Rating/Nilaian *[Semak jika pendapat ini sama atau berlainan diantara bank Islam dan bank bukan-Islam] [Pastikan skala, 1 – Sangat Mudah, 2 – Agak mudah, 3 –Mudah, 4 – Neutral, 5 – Sukar, 6 – Agak sukar, 7 – Sangat sukar]*
	Rumah Kediaman	
		ii)
i.	Insurans/ *Takaful* Kemalangan Diri	i)
		ii)
j.	Pinjaman/ Pembiayaan Peribadi	i)
		ii)
k.	Pinjaman/ Pembiayaan Rumah	i)
		ii)
l.	Pinjaman/ Pembiayaan Kenderaan Bermotor	i)
		ii)

	Produk Kewangan	Mudah/Sukar? → Jelaskan sebab-sebab/faktor-faktor → Bank Islam v. Bank Bukan Islam → Rating/Nilaian *[Semak jika pendapat ini sama atau berlainan diantara bank Islam dan bank bukan-Islam] [Pastikan skala, 1 – Sangat Mudah, 2 – Agak mudah, 3 –Mudah, 4 – Neutral, 5 – Sukar, 6 – Agak sukar, 7 – Sangat sukar]*
m.	Kad Kredit	i)
		ii)
n.	Pinjaman/ Pembiayaan Pendidikan	i)
		ii)
o.	Pinjaman/ Pembiayaan Komputer	i)
		ii)
p.	Penggadaian/ *Ar Rahnu*	i)
		ii)
q.	Perkhidmatan Perancangan Kewangan	i)

	Produk Kewangan	Mudah/Sukar? → Jelaskan sebab-sebab/faktor-faktor → Bank Islam v. Bank Bukan Islam → Rating/Nilaian *[Semak jika pendapat ini sama atau berlainan diantara bank Islam dan bank bukan-Islam] [Pastikan skala, 1 – Sangat Mudah, 2 – Agak mudah, 3 –Mudah, 4 – Neutral, 5 – Sukar, 6 – Agak sukar, 7 – Sangat sukar]*
		ii)

Soalan 2:
Adakah awda pernah menerima atau memohon apa-apa modal kewangan (misalannya untuk menjalankan perniagaan) dari MUIB, JAPEM atau pertubuhan-pertubuhan yang lain?

(a) Jika ya, apakah yang terjadi kepada permohonan awda? (Jika permohonan ditolak, tanyakan akan sebab-sebabnya).

Nota: Tanya soalan berikut jika permohonan berjaya.
(b) Adakah modal kewangan tersebut membantu perniagaan awda? (Jika ya, bagaimana? Jika tidak, tanyakan akan sebab-sebabnya).

Nota: Tanya soalan berikut jika modal kewangan membantu perniagaan.
(c) Setelah menerima modal kewangan tersebut, adakah awda memerlukan modal tambahan? (Jika ya, tanyakan dari mana modal tambahan berikut diperolehi).

[Adakah awda mempunyai apa-apa soalan untuk saya?]

KAD A:

	Produk Kewangan
a.	Akaun Simpanan
b.	Akaun Semasa
c.	Simpanan Tetap (Fixed Deposit)
d.	Amanah Saham/ Dana Bersama (Mutual fund)
e.	Bon
f.	Saham
g.	Insurans Nyawa/ *Takaful* Keluarga (Dimana sekiranya pemegang polisi meninggal dunia sebelum polisi mansuh, sesuatu jumlah akan diberikan kepada penerima tertentu.)
h.	Insurans/ *Takaful* Rumah Kediaman
i.	Insurans/ *Takaful* Kemalangan Diri (Tidak termasuk insurans/*takaful* kenderaan)
j.	Pinjaman/ Pembiayaan Peribadi
k.	Pinjaman/ Pembiayaan Rumah
l.	Pinjaman/ Pembiayaan Kenderaan Bermotor
m.	Kad Kredit
n.	Pinjaman/ Pembiayaan Pendidikan
o.	Pinjaman/ Pembiayaan Komputer
p.	Penggadaian/ *Ar Rahnu*
q.	Perkhidmatan Perancangan Kewangan

KAD B:

Mudah/Sukar?
1 - Sangat mudah
2 - Agak mudah
3 - Mudah
4 - Neutral
5 - Sukar
6 - Agak sukar
7 - Sangat sukar

PILOT TEST (QUESTIONNAIRE AND INTERVIEW GUIDE):

1. Assess the financial exclusion measure (Convergent validity), ask:
    a. Which financial product/service do you find difficult to access/apply?
    b. Did you manage to apply for the product?
    c. Which financial product/service do you find difficult to maintain?
2. Which of the questions did you find relatively sensitive or uncomfortable?
3. Did you find Section E as being sensitive? Were you able to effectively answer it?
4. At any point, did you lose any interest due to the questions, length of interview or other factors?
5. Did you find any questions confusing?
6. Did you find any questions poorly worded?
7. Did you feel any questions were positioned poorly, where flow is concerned?
8. Did you find the transition between sections confusing?

Net Surplus or Net Deficit * Marital Status * Gender Crosstabulation

Gender			Marital Status				Total
			Single	Married	Divorced	Widowed	
Male	Net Surplus	Count	11	162	3	1	177
		%	6.2%	91.5%	1.7%	.6%	100.0%
	Net Deficit	Count	1	142	1	3	147
		%	.7%	96.6%	.7%	2.0%	100.0%
	Total	Count	12	304	4	4	324
		%	3.7%	93.8%	1.2%	1.2%	100.0%
Female	Net Surplus	Count	10	24	1	4	39
		%	25.6%	61.5%	2.6%	10.3%	100.0%
	Net Deficit	Count	1	20	21	26	68
		%	1.5%	29.4%	30.9%	38.2%	100.0%
	Total	Count	11	44	22	30	107
		%	10.3%	41.1%	20.6%	28.0%	100.0%

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